

# FINANCIAL TIMES

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D 8523 B

Opec faces a crisis  
in the oil  
market, Page 14

## World news

## Business summary

### Sharon loses suit against Time

Mr Ariel Sharon, Israel's former Defence Minister, lost his \$500,000 libel suit against Time magazine. The New York jury hearing the suit ruled that the magazine did not "recklessly and maliciously publish a false story linking him with the massacre of Palestinians in refugee camps near Beirut in 1982."

### Jumblatt 'may quit'

Wahid Jumblatt, leader of Lebanon's Druze community, is considering resigning from the Government, soon according to one of his political aides.

### Nicaragua debate

The Reagan Administration faced a further erosion of congressional support for its covert war in Nicaragua after Senator Richard Lugar, the new Republican chairman of the Senate Foreign Relations Committee, said that the U.S. must find other ways to apply pressure on the Sandinista Government. Page 4

### Vatican strike threat

The union representing lay workers in the Vatican hinted that it might call its first strike unless it received a reply to a series of demands on pay and conditions.

### Guerrillas trial

An investigating magistrate in Rome sent 174 suspected left-wing guerrillas for trial on charges of armed insurrection and inciting civil war.

### Talks collapse

Lebanon and Israel broke off their talks on co-ordinating the first stage of Israel's withdrawal from south Lebanon. Page 3

### Discovery away

The U.S. space shuttle Discovery began its secret military mission after a 24-hour delay caused by icy weather.

### Salvador elections

El Salvador's municipal and National Assembly elections have been put back two weeks until March 31 as a result of pressure by right-wing political parties. Page 4

### Pakistanis jailed

Pakistani military authorities jailed five more opposition politicians in the Punjab province capital of Lahore.

### SS Major freed

Former SS Major Reder, jailed for 33 years for the wartime massacre of 600 Italian civilians, was released from prison in Gstaad, on the coast between Rome and Naples, and flown to Vienna. The Austrian Government requested his release. Page 2

### Mengele protest

More than 100 Jewish twins who survived experiments conducted by Nazi concentration camp doctor Josef Mengele will press for his extradition to face trial. He is believed to be living in Paraguay.

### U.S. Carbide probe

The U.S. Environmental Protection Agency is investigating 28 leaks at Union Carbide's West Virginia plant of the chemical that killed at least 2,500 people in Bhopal, India. Page 4

### Spanish current account in surplus

SPAIN'S 1984 current account showed a surplus of \$2bn, a sharp turnaround on a \$2.3bn deficit in 1983. Finance Minister Miguel Boyer said the surplus was due to a 20 per cent increase in exports in real terms. Page 16

DOLLAR was weaker in London, falling to DM 3.156 (DM 3.1795). Sfrfr. 2.555 (Sfrfr. 2.5615). FFf. 9.8025 (FFf. 9.7225) and Y253.7 (Y254.35). On Bank of England figures, the dollar's trade-weighted index fell to 146.1 from 148.5. In New York it closed at DM 3.159, FFf. 9.8775, Sfrfr. 2.550 and Y253.75. Page 35

STERLING gained 70 points against the dollar in London to close at \$1.1175. It also improved to FFf. 10.8025 (FFf. 10.8) and Y253.7 (Y254.35) but lost ground to DM 3.58 (DM 3.535) and Sfrfr. 2.97 (Sfrfr. 2.98). The pound's exchange index was unchanged at 70.7. In New York it closed at \$1.1185. Page 35

WALL STREET: The Dow Jones industrial average closed 4.30 down at 1,270.43. Section III

LONDON equities and gilts were hit by interest rate fears but stocks recovered slightly on hopes of an end to the miners' strike. The FT ordinaries index fell 12.0 to 991.7. Section III

TOKYO: Investor enthusiasm was dampened and shares settled lower with the Nikkei Dow market average down 2.85 to 11,836.36. Section III

AMSTERDAM shares hit their twelfth peak this year although some profit-taking was apparent. Page 25

GOLD rose 75 cents on the London bullion market to \$301.75. It was also higher in Zurich at \$301.25. In New York, the Comex February settlement was \$299.78. Page 34

BRITISH companies are taking part in two thirds of the 104 projects chosen to launch a new EEC drive in information technology. Page 2

U.S. MONEY SUPPLY: M1 fell \$2.8bn to \$566.8bn in the week ending January 14. Page 18

DELTA AIR LINES, the U.S. carrier, lifted second-quarter net earnings 81 per cent to \$73.5m and raised its dividend to 20 cents. Page 18

EXXON, the world's biggest oil company, reported its first quarterly profit setback in over two years but this was not sufficient to offset a 11 per cent rise in full-year net income to \$5,525m. Page 17

OLIVETTI, Italy's leading data processing equipment maker, is to acquire the sales operations of Exon Office System, a subsidiary of the diversified U.S. energy group. The purchase price was not disclosed. Page 17

TDK, the world's largest supplier of magnetic tapes, increased its consolidated profits by nearly 20 per cent to Y32.25bn (\$131.1m) in the financial year ending November. Page 19

AUSTRIAN AIRLINES will announce record profits for 1984 when its annual accounts are published in April. Earnings will exceed the Sch 5,690m (\$235m) achieved last year.

BAYER, the West German chemical and pharmaceutical concern, may take over full control of Scheldt Chemie, the troubled chemical company it has run as a partnership with Ciba-Geigy of Switzerland. Page 18

LISNAVE, the troubled Portuguese ship repair yard, is to reduce its workforce to try to ease some of its crippling overheads. Page 2

We apologise for any typographical errors in today's edition arising from industrial action by members of the National Graphical Association in the proofreading room in London.

## Thatcher 'urged Reagan to back \$ action'

BY DAVID HOUSEGO IN PARIS AND PHILIP STEPHENS IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, made a personal appeal to President Ronald Reagan to smooth the way for last week's pact of leading industrialised countries to take joint action against the dollar, it emerged yesterday.

Mrs Thatcher's telephone call, revealed by senior French Finance Ministry officials in Paris, came after the British Government had been forced to raise interest rates sharply to halt the slide of the pound on the foreign exchange markets.

The two leaders' talk was a major influence behind the agreement by finance ministers of the Group of Five industrial nations last Thursday.

They decided to intervene more frequently in the markets to curb speculative surges in the dollar's value.

A Downing Street spokesman would last night give no comment on the French report.

Officials in London were privately conceding, however, that there had been contacts at the highest level with Washington in the wake of the sterling crisis.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, who until this month had been lukewarm about the value of intervention, is also known to have planned a leading role in securing the agreement at the finance ministers' meeting.

Mrs Thatcher's personal appeal is

likely to have been influential in bringing a change of heart in the U.S. Administration, which had previously opposed an active intervention policy.

The French officials said that the U.S. Federal Reserve had sold \$48m as part of the co-ordinated effort by central banks to halt the rise of the dollar on Tuesday.

This provides the first concrete evidence of the size of U.S. intervention since last week's meeting. Mr James Baker, the U.S. Treasury Secretary-designate, said on Wednesday that "as far as he knew" the U.S. had not as yet taken part in co-ordinated central bank action to sell dollars.

Only Japan of the Group of Five

countries did not take part in the joint move, French officials said.

According to other sources in Paris, the finance ministers agreed at the Washington meeting that the foreign exchange markets were now "closed" to the disorderly conditions under which industrialised nations described intervention as justified in the Versailles summit declaration of June 1982.

In their accounts of the Washington meeting they contrasted the strong British pressure in favour of intervention with the negative British stance.

Continued on Page 16  
Editorial comment, Page 14; Money markets, Page 35; Stock markets, Section III

## COAL UNION TACTICALLY ACCEPTS TALKS ON CLOSURE OF UNECONOMIC PITS

# London takes hard line as strike leaders waver

BY JOHN LLOYD IN SHEFFIELD AND PETER RIDDELL AND PHILIP BASSETT IN LONDON

BRITAIN'S 11-month-old coal miners' strike entered its final chapter yesterday with conflicting attempts by the National Union of Mineworkers (NUM) to end the dispute with some dignity and by the state-run National Coal Board (NCB) to close it with the stamp of unequivocal victory.

The union executive yesterday agreed a statement which called for talks without preconditions early next week. It tacitly accepted that such talks would focus on the board's need to close uneconomic pits, the central issue of the strike.

The coal board, however, demanded a "written indication that the union is prepared to help resolve the problem of uneconomic capacity" and that the NUM "co-operates with the essential task of closing loss-making pits."

In issuing the statement midway through the executive's deliberations and with the full authority of Mr Ian MacGregor, the NCB chairman, the board made a sharp break with the conciliatory tone it had adopted earlier this week, a tone echoed by the Conservative Government's energy ministers.

It appeared that Mr MacGregor, yesterday under pressure from Mrs Margaret Thatcher, the Prime Minister, had hardened the board's attitude in order to ensure that if talks do take place they will be wholly on the board's terms.

The wrangle over preconditions cast doubt over the possibility of a final round of talks next week between the two sides. Mr Peter Heathfield, the NUM general secretary, and Mr Ned Smith, the coal

board's industrial relations director, had two heated telephone conversations yesterday afternoon but agreed to try again today to get a basis for talks.

Mr Michael Eaton, the NCB's spokesman, said last night that "the chances must be very high that there will be a meeting." He said he thought the day's events had "probably" brought negotiations closer.

Mr Arthur Scargill, the NUM's left-wing president, last night wrote to the NCB, hoping that the board "like the union, would confirm their agreement to participate in talks without preconditions."

Mr Scargill said that "at this meeting, the union will table certain proposals which it is hoped will facilitate the negotiations to take place and help resolve the dispute."

Having learned of Mr Scargill's letter, both Mr Eaton and Mr David Hunt, Coal Minister, said that pledges from the NUM need not be made public.

Both the Trades Union Congress and the conciliation service, Acas, have been working hard behind the scenes to promote fresh talks, and last night Mr Norman Willis, TUC general secretary, said: "This is a dispute whose time has come for settlement." But he described the NCB's behaviour as "mystifying."

Key ministers were insistent last night that the talks would go ahead. One suggestion was that preliminary discussions between officials of the NUM and the NCB might

take place as early as Sunday or Monday, with the full NUM executive being brought in for proper and final negotiations in the middle of next week.

Mrs Thatcher told the House of Commons yesterday that she fully supported the coal board's decision to enter new talks without a written undertaking from the NUM to discuss the closure of uneconomic pits. "I am anxious that there should be a settlement, and a clear settlement," Mrs Thatcher said. "There have already been seven rounds of negotiations, and it is important that the next round of negotiations is entered into on a clear basis so that there can be no fudging whatsoever."

"Any result must make it absolutely clear that uneconomic pits must close, she said. The final decision must rest with the management of the NCB after the proper processes of consultation have been gone through."

Ministers conceded that their aim is to isolate Mr Arthur Scargill within the union's leadership while still preserving the NUM as a national union.

Members of the union's executive yesterday ruefully conceded the weakness of their position but objected to what they saw as attempts by the coal board and Government to humiliate them.

The union leaders are not as a whole prepared to "capitulate in advance," as one member put it. Mr Heathfield said last night: "Quite frankly, I would rather not have an agreement."

The executive that, while a fal-

## Western nations allow Poland until 1995 to pay debt arrears

BY DAVID BUCHAN IN LONDON

WESTERN governments have given Poland until 1995 to complete repayment of its 1982-84 debt principal arrears of \$80m to \$100m and until 1989 to finish paying off accumulated interest of some \$2bn on those arrears.

This is the essence of the agreement in Paris last week which concluded more than three years of on-off debt negotiations between Poland and its 17 biggest Western creditors. Western officials claim that the agreement - rescheduling official debt arrears over 11 years with a six-year grace period - is more generous to Poland than Poland's rescheduling agreements with Western commercial banks.

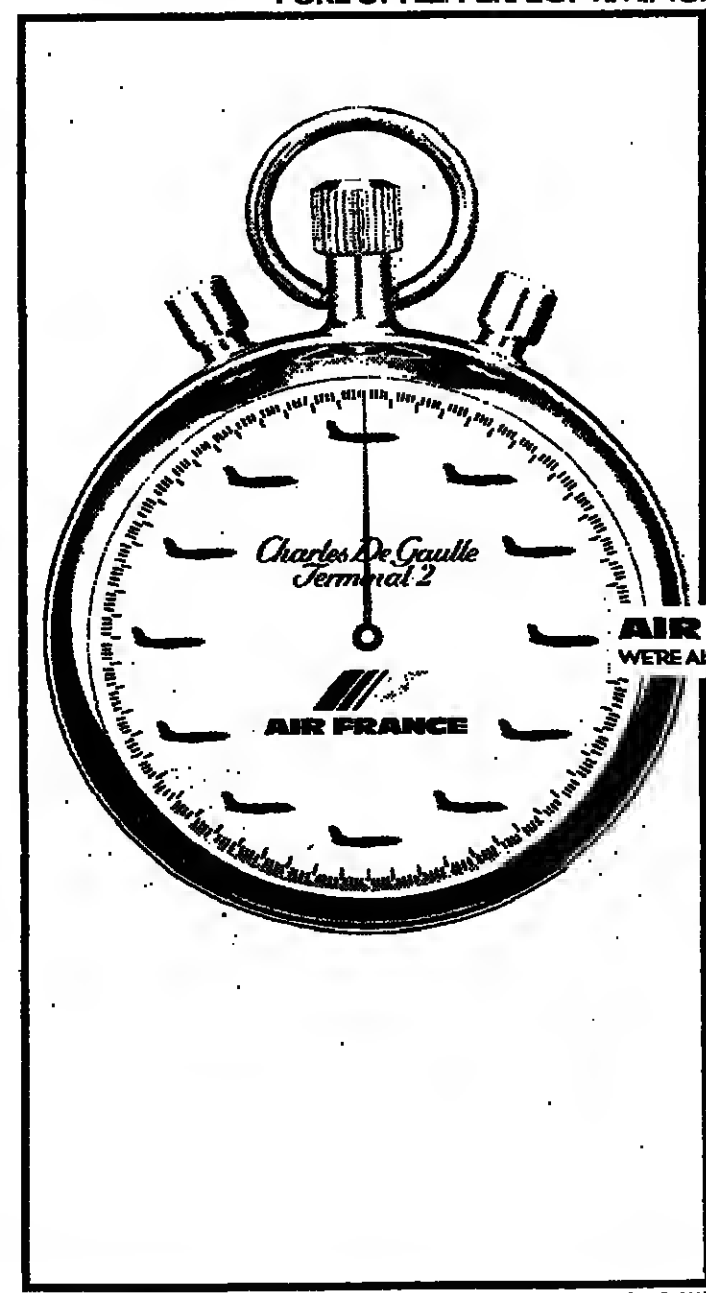
Officials in Warsaw conceded this yesterday but pointed out that Western governments were still baulking at providing the new credit needed by Poland to "re-float" its economy and meet even a reduced debt repayment schedule. Mr Jerzy Urban, the government spokesman, gave details of the rescheduling this week and warned that without such fresh credit Poland might not for-

Venezuela's leading commercial bank creditors are due to meet in New York today amid hopes of further progress in drafting legal documents needed to complete the rescheduling of \$20.7bn in public sector debt. Agreement in principle was reached on rescheduling last September. Page 4

Poland is now to start bilateral negotiations with its 17 government creditors to fix interest rates and precise terms. In these negotiations, Warsaw is expected to press hard its demands for new credit.

Western governments have told Poland they are ready to open discussions as soon as possible on rescheduling its 1985 debt maturities so that unrescheduled arrears do not grow. But there can be no agreement on 1985 debt before the 1981-84 debt is settled in a formal accord, therefore discussions on this year's debt might not be concluded until late autumn.

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## CONTENTS

Europe	2-9
Companies	17-19
America	4
Companies	10, 17-18
Overseas	3-9
Companies	19
World Trade	4
Britain	6
Companies	22-24
Agriculture	34
Asia - Review	12
World Guide	12
Commodities	32
Crossword	32
Currencies	35
Editorial comment	14

Eurobonds	28
Euro-options	28
Financial Futures	34
Gold	34
Int'l Capital Markets	36
Law	15
Letters	16
Lex	15
Lombard	15
Management	11
Market Monitors	25
Men and Matters	14
Mining	24
Money Markets	34
Raw materials	34
Stock markets - Bourges	25, 28
Stock markets - Wall St	25-26, 36
Stock markets - London	25, 29-31
Technology	8
Unit Trusts	32-33
Weather	16

India: how France combines its export talents	4
Venezuela: bankers optimistic on debt talks	4
Spain: non-banker moves in at Hispano Americano	9
Rockwell: a cash hoard finds a willing home	10
Editorial comment: U.S. economy; blank tapes	14

Opec: the crisis in the oil market	14
Politics Today: UK House of Lords on TV	15
Lombard: economics of the Falklands	15
Lex: Rank; TDK; Aspinall; Powell Duffryn	16
Regional development: Survey	Section IV

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## EUROPEAN NEWS

# France expected to scrap controls on petrol prices

BY PAUL BETTS IN PARIS

THE FRENCH Government is expected to abolish controls on domestic petrol prices next week in a move which is likely to intensify the discounting war at French petrol stations.

A number of major oil companies were reported yesterday to be discounting heavily at a few of their petrol stations.

The decision to liberalise petrol prices will end the system of controls which has lasted for about 50 years.

Pressure for reform has come in recent months from large independent petrol retailers and hypermarket chains like the Leclerc group and Carrefour which have been offering discounts below the legal minimum.

Oil product prices are regulated in France by a complicated formula which, in the case of petrol, fixes a maximum price. Retailers can offer discounts of up to 10 centimes but no more.

The Leclerc and Carrefour chains have, however, been offering discounts of up to 30 centimes.

The Leclerc chain has taken the French Government to the European Court of Justice, in Luxembourg, charging that its pricing mechanism contravened the Treaty of Rome.

The judgment, expected shortly, is likely to go in favour of Leclerc. If it does the Government will be obliged to scrap the controls.

The Socialist Administration, which in recent weeks has again pressed its approval of gradual liberalisation of all industrial prices in France, sees a number of advantages from scrapping the controls.

One of the biggest is that at a time of over capacity in the oil

market the freeing of prices is expected to lead to lower petrol prices. This would help the Government's fight against inflation.

However, the Government is expected to make some provision to safeguard smaller petrol retailers which would suffer from the intense competition unleashed.

Michel Pequeur, chairman of Elf Aquitaine, France's largest oil group, said yesterday he would welcome the freeing of petrol prices as long as the move involved complete liberalisation and did not include measures which distorted competition. He suggested the decision would inevitably lead to price wars in the domestic market.

The large French refiners are also concerned that the Government's imminent decision could squeeze their already tight margins. The French refining industry lost FF7.7bn (£638m) in 1983, compared with FF4.8bn in 1982.

At the same time, the so-called independent retailers, who have been offering large illegal discounts, have seen their share of the domestic petrol retailing market rise from 11.4 per cent to 25 per cent in the past 10 years.

The Government could also envisage at a later stage the modification of the current rules on imports of refined oil products into France. The liberalisation would clearly put pressure on the refining industry in France and would inevitably lead to cuts in domestic refining output, according to French oil industry officials.

## Opposition challenges to New Caledonia emergency

BY OUR PARIS CORRESPONDENT

EMERGENCY legislation to extend the state of emergency in New Caledonia, which was passed by the French National Assembly yesterday, could take some days to come into effect because of opposition in the Senate and a decision by the neo-Gaullist RPR party to challenge it before the Constitutional Court.

In the National Assembly, the Socialists who have an absolute majority, were the only party to support the legislation. The Communists voted against it, as did the RPR. The centrist UDF of former President Valéry Giscard d'Estaing decided to abstain, reflecting the divisions in their ranks over the issue.

M. Laurent Fabius, the Prime Minister, last night warned the Senate, where the opposition has a majority, against putting down amendments to the legislation that would rob it of its substance. Amongst the reasons he gave to justify the

extension of the state of emergency was the need to give the Government powers to seize arms in the territory.

With the lapse of the original decree establishing the state of emergency, the curfew was lifted on the islands yesterday.

The Government has the power to extend the emergency for a further 12-hour period prior to approval of the new legislation by the Constitutional Court. It is seeking under the new law to extend the emergency legislation until June 30.

M. Jean-Marie Tjibaou, the separatist leader, who is currently in Paris, walked out of the National Assembly debate after opposition leaders had condemned his presence there. The opposition says that his claim to represent a provisional Metawesian government puts him in a state of insurrection against the French state.

Paul Cheeseright in Brussels reports on the EEC's drive for new industry

## Strong British presence in Esprit

ESPRIT: HOW THE PROJECTS ARE DIVIDED					
Sector	Number	UK	National involvement France W. Germany Italy		
Advanced micro-electronics	28	18	18	17	6
Software technology	14	9	9	10	7
Advanced information processing	20	13	12	11	12
Office systems	23	14	15	16	15
Computer integrated manufacturing	19	13	10	13	9
Total	104	67	64	70	46

BRITISH companies are taking part in two-thirds of the 104 projects chosen to launch a new EEC research and technology drive in information technology.

The aim of the programme called Esprit, is to help make the EEC industry competitive in world markets during the next 10 years. A total of Ecu 750m (£471m) is being spent over five years from the Community budget. This is being matched by private sector funds in an Ecu 1.5bn programme.

The European Commission yesterday announced the projects and the successful tenderers for the first full year of Esprit's operation. They showed there would be a British presence in 67 projects, roughly the same level as France and Germany.

"In general there is a good geographical balance of participants, reflecting the strength of proposals submitted from different parts of the Community and the increase in co-operation," said the Commission.

Projects have to involve companies or institutions from more than one EEC country—

tutions, the University of Strathclyde is taking part in four projects.

The variety of concerns taking part in the first stage of Esprit—there are 270 from throughout the Community—emphasises the interest in the programme. The first series of projects was four times over-subscribed and if all the tenders had been accepted, the total spending limit on the programme—Community and private sector—would have been passed in the first year.

The closing date for applications for the second year is March 25. Proposals will be judged by panels of specialists engaged by the Commission in Brussels.

The general policy in the five main information technology sectors selected for special attention by the EEC—advanced microelectronics, software technology, advanced information processing, office systems and computer integrated manufacturing—is to foster research with an active potential for industrial exploitation.

The Commission is telling those who want to take part in

## Bad harvest takes toll of Soviet growth

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union's chief planner yesterday blamed the bad harvest for pulling down the growth in national output last year to 2.6 per cent, and said that, apart from agriculture, the Soviet economy had performed satisfactorily.

Mr Nikolai Baibakov, chairman of the Gosplan central planning body, said the current aim of his planners was to improve the quality of goods rather than raise output. Last year's growth figures given to the Council of Ministers this week were revised down from estimates made at the end of last year.

This is chiefly due to the poor grain harvest. In the absence of any Soviet statistics, Western estimates put the harvest at 170m tonnes, or 70m tonnes below target.

The Soviet Government has ordered California International Trade, a U.S. medical equipment company, to close its offices in Moscow, AP DJ reports. The Soviet Press alleged that the company was an unreliable trade partner and may have been helping U.S. intelligence agencies.

Ms Diane Brown, a company vice-president who flew from the company's Palo Alto headquarters to oversee the closure, said that Soviet officials still had given no explanation. According to U.S. diplomats, the company is the first U.S. business asked to leave.

California International has been doing business with the Soviet Union for 13 years, Ms Brown said. It has had about \$10m annually in sales here, primarily kidney dialysis and heart-lung machines.

Gosplan, had calculated, he said, that "average" Soviet consumption is two or three times more effective than if spent on fuel extraction and production.

Significant savings are expected from the further conversion of the truck fleet to use diesel.

Asked about the new economic experiment, through which local managers are given greater autonomy and productivity is more closely linked to wages, Mr Baibakov expressed some dissatisfaction.

He said: "Far from full use has been made of the potential created by the new management conditions." He went on to criticise "certain executives" who cannot get used to the new economics "and continue to use obsolete methods."

## Basques pick moderate to lead government

BY OUR MADRID CORRESPONDENT

SR JOSE ANTONIO ARDANZA, a member of the Basque Nationalist Party who is hailed as a conciliatory and moderate politician, was yesterday elected the new head of the Basque autonomous government.

His election is seen as signalling an end to bitter disputes both within the party and between the Basque executive and the central Government in Madrid that brought politics in the area to a standstill for much of last year.

He was an expert unknown to last December when he was chosen by the Nationalist Party, the Partido Nacionalista Vasco (PNV), to succeed Sr Carlos Garaikotzea. The latter had been locked in a long-standing

quarrel with the PNV executive which owed as much to personal clashes as it did to apparent fundamental differences over the funding and the attributions of the Basque Government.

A consequence of the disputes was the effective breakdown of communications between the Basque government and Madrid. The complex process of transferring local power to the Basque country in accordance with its autonomous, self-governing status, came to a virtual halt as Sr Garaikotzea's power base looked increasingly weakened.

Sr Garaikotzea finally resigned as Lendakari, or Chief Minister after a succession of

stormy party conventions which took place last month and Sr Ardanza was duly elected yesterday to replace him by the PNV members in the Basque parliament which sits in Vitoria.

Prior to his election, Sr Ardanza had visited Madrid for talks with Prime Minister Felipe Gonzalez and his Socialist Party which is the governing party nationally but forms the opposition to the PNV in the Basque parliament.

These contacts paved the way for a so-called legislative pact between the PNV government and the Basque Socialists which aims to speed up the transfer of local government, to concentrate on economic recovery and to maintain a bipartisan

## FitzGerald faces economic backlash

By Brendan Keenan in Dublin

THE IRISH coalition Government of Dr Garret FitzGerald returned to parliament this week after the long Christmas recess to face an immediate Opposition attack over its handling of the economy. Ministers spent part of the holiday reviewing a performance which, after two years in office even Government supporters admit, has been lacklustre.

It is true that Dr FitzGerald's coalition of Fine Gael and Labour inherited a thankless task in 1982. Foreign borrowing was soaring out of control, the inflation rate nearing 20 per cent and the recession taking a heavy toll on uncompetitive traditional industries.

Although borrowing is being reduced at a painfully slow pace, the situation has stabilised with an inflation rate below 7 per cent, external deficits cut to manageable proportions and unemployment, although high at 17 per cent, beginning to level off.

Progress has been bought however at the price of a severe drop in Government's popularity. The latest opinion polls show the coalition trailing Mr Charles Haughey's Fianna Fail party by a full 12 points. Ministers have no doubt that the heavy tax burden imposed on wages and salary earners in an effort to reduce the budget deficit is the main reason for their unpopularity.

On salaries below £18,000 (£8,971), a year, Irish tax rates



FitzGerald's thankless task

are not much different from those in the UK, and are actually less on lower incomes. But beyond that point they rise steeply, so that a married man earning £20,000 or more will pay 20 per cent more tax than his British counterpart. Indirect taxes are also much higher, with the top rate of VAT at 35 per cent.

The Government has promised that income tax bands and allowances will be indexed against inflation in the next budget, due on January 30. They hope to reduce the tax burden by the end of their term of office in 1987, so the hope of steady man defer. Runaway public spending in the past 10 years means, however, that 66 per cent of Gross National Product is now accounted for by state spending, which leaves little room for manoeuvre.

A recent 4.5 per cent pay increase recommended for civil servants cannot be paid without further increases in indirect taxation, and by some estimates, Irish living standards have fallen by 20 per cent since 1980.

Government backbenchers, for their part, are asking why the coalition has not done more in areas that it can control, especially its promised programme of social reform on the law on property rights, illegitimacy and the provision of contraceptives.

The Government is worried, however, that action in these areas may cause backbench revolts from hard sections of Fine Gael, especially over contraception.

Differences between the government partners have also delayed a programme to introduce independent commercial radio.

But a major problem is the administration's failure to master the business of government.

A Prime Minister who lists the study of airline timetables among his recreations is probably a soft touch for the kind of detail departments like to throw at Ministers. Civil servants have now been told they must slim down Cabinet agendas, which had been running to more than 40 items. There are to be no more 100-page memoranda and Ministers must settle policy differences outside the Cabinet room.

The idea is that the next 18 months will finally produce a Government, with an overall majority of six, cannot risk too many defections. The thorny issue of divorce, which is banned under the Irish constitution, will therefore probably be left for another day.

Government planners hope that a restoration of Dr FitzGerald's image as a reformer, plus some reduction in the tax burden, may enable them to enter the next election with a fighting chance. But even if it goes well, it will be a close-run thing.

## Portuguese companies 'need Esc 500bn'

By Diana Smith in Lisbon

EIGHTEEN PORTUGUESE public sector companies controlled by the Ministry of Industry, Mines and Energy need Esc 500bn (\$2.5bn) to get on their feet, according to a 600-page White Paper (policy document) issued this week by the Ministry.

The companies are Portugal's largest corporations. Their output ranges from electricity to steel, oil and petrochemicals, basic chemicals and glass. In 1983, their accumulated losses totalled Esc 1.600bn.

The White Paper, which Sr Veloso Simoes, the industry Minister, sees as a basis for cabinet debates on the future of the public sector, recommends diversified ownership of public sector companies so that small investors could acquire about 40 per cent of their capital, and employees of the companies could hold 20 per cent of shares.

For nearly six years Portuguese governments have been debating what to do with a heavily losing public sector which was created largely in the 1975 revolution. Its decisions have not matched the plethora of proposals, plans and promises.

Furthermore, bureaucracy and uncertainty management have caused financial troubles in a state sector that includes banks, insurance companies, transport and telecommunications corporations as well as industries — involves 81 enterprises and employ 210,000 people.

The White Paper claims that in 1983 the ministry's 18 companies were owed Esc 280bn by state bodies.

It suggests that non-viable units owned by the chemical corporation Quimigal — including fibre-glass, aniline, and synthetic gas — could be put on non-operating standby while their future was studied, and that the national steel corporation, which employs 10,600 people, must either be expanded according to a seven-year-old plan half-heartedly put into effect, or suspended.

● Lisavie, the Portuguese ship-repair yard which has been in financial difficulty, has obtained government approval to pare its labour force in the hope of easing some of its crippling overheads.

The Government has authorised 1,900 early retirements, 1,165 cessations of contract by mutual consent and about 700 dismissals. To help pay compensation of Esc 2.65bn, Lisavie will be assisted by nationalised banks and state unemployment funds.

Although the yard has been working steadily, its income falls far short of meeting its labour and materials costs.

## Bonn forecasts cut in jobless

BY RUPERT CORNWELL IN BONN

THE BONN Government is expecting that continued solid expansion will generate a further modest fall in unemployment this year, as well as the first actual rise in the number of those with jobs for five years.

This comparatively encouraging picture emerges from the annual report drawn up by the Economics Ministry here, which by and large agrees with other official and independent forecasts over this course of

Europe's largest economy this year.

The ministry hedges its projection on the view that little further room exists for productivity increases alone to cover the 2.5-3 per cent real growth likely in 1985 for West Germany.

But other factors arguing for a slight reduction in the total of those without jobs—currently about 2.2m—are the introduction of a state-sponsored early retirement scheme, and a persisting fall in the number of

immigrant workers in the country.

None the less, the ministry is only predicting that unemployment will decline to "under 9 per cent" from last year's overall average of 9.1 per cent.

Despite the weakness of the dollar, particularly against the dollar, consumer prices are set to rise only 2 per cent this year, thanks to small increases in wages and salaries, and steady imported raw material costs.

## Oslo stops Norsk Hydro strike

BY FAY GJETER IN OSLO

THE NORWEGIAN Government yesterday halted a strike which has stopped production for about a week at most of the Norwegian plants of Norsk Hydro, the country's largest industrial concern.

It ordered compulsory arbitration of the dispute, which mainly concerns pay differ-

entials for technicians and white-collar workers. The stoppage has cost Norsk Hydro nearly Nkr 300m (£28m) in lost output, and forced it to lay off 2,500 of its other 9,000 employees in Norway.

Mr Arns Rettedal, the Minister of Labour, justified the Government's move by pointing to the risk of serious accidents,

an permanent damage to plant and equipment, if the strike continued during the bitter weather.

Meanwhile, prolonged discussions between Norsk Hydro and the Norwegian state-owned aluminium group, ASV, about merging their aluminium activities, have ended in stalemate—at least for the time being.

## Italy releases war criminal to Austrians

By James Duxton in Rome

ITALY HAS handed over to Austria its last prisoner of war from the Second World War, the former SS officer, Walter Reder. He had been serving a 40-year sentence for his part in the massacre of 1,630 people at a village in northern Italy in 1944.

The hand-over was decided by the government of Sig-Bettino Craxi following increasingly intense appeals for clemency on the part of the Austrian Government.

The present inhabitants of Marzabotto, the village near Bologna where Reder's men carried out the massacre, voted against the officer's liberation in an unofficial referendum a few weeks ago.

Reder's jail sentence was due to expire in July. In 1980, a military court granted him provisional liberty, but recommended that he be kept in prison for his own protection, presumably against revenge attacks.

## Iran-U.S. Claims Tribunal resumes hearings

BY WALTER ELLIS IN LONDON

THE MEASURED dignity of the Iran-U.S. Claims Tribunal — the legal equivalent of a "needle" match in chess between Karpov and Korchnoi — has been restored.

Hearings resumed last week in The Hague after a four months gap caused by an argument in the chamber between three of the judges. Two Iranian judges involved in the fracas have been replaced, and there is a new tribunal president, Professor Karl-Heinz Böckstiegel, of Cologne University.

In the past, progress at the tribunal has been painfully slow. The mutual distrust and disdain of the disputing parties arising out of the Tehran hostages crisis has held down the rate of settlements.

Even after three and a half years most U.S. claims against Iran remain to be heard.

The tribunal was established amid suspicion and controversy in July 1981. It was held to be the only means by which the U.S. could hope to recover money owed to companies and individuals caught up in the chaos which gripped Iran during the early rule of Ayatollah Khomeini. A number of U.S. companies were confiscated, joint ventures were abandoned and debts re-nounced.

The money involved in the claims — 3,848 of them, including \$18 for more than \$250,000 — is difficult to assess. So far the court has dismissed outright half of the claims sub-

mitted and reduced the amounts involved in the others.

All that is certain is that a sum of \$1bn has been set aside by Iran in the form of a revolving fund placed at the tribunal's disposal. Iran has undertaken to add a further sum when the fund is reduced to \$500m, but since interest on the funds already exceeds \$410m, it is unlikely that will be needed for some time. In fact, so far Iran has more than it started with.

Until the tribunal's suspension last September 21, \$308m in payments had been made to the U.S. against a single payment of \$437m to Iran. The largest award, of \$49m, was paid to the R.J. Reynolds Tobacco Company. General Motors had the second largest, \$20m, and Read-

ing and Bates the third, with an award of \$15m.

What has characterised the tribunal's proceedings has been the extreme bitterness of Iran. The incident last September, when two Iranian judges assaulted Mr Nils Mangard, their "neutral" Swedish colleague, was hardly typical. It does, however, illustrate the depth of feeling involved.

The Iranians cornered Mr Mangard as he was about to enter the tribunal chamber and accused him of siding openly with the Americans. Judge Mahmoud Kashani, reportedly threatened that if Mr Mangard entered the tribunal again "either his corpse or mine will leave it, rolling down the stairs."

Iran subsequently said that its judges had merely intended to prevent Mr Mangard from taking part in what was an improperly constituted session of the tribunal. It agreed, however, that the judges involved be recalled. They have been replaced by Mr Hamid Behrani Ahmad, formerly with the Bureau of International Legal Officers in The Hague, and Mr Seyyed Mohebb Mostafaei Tafreshi, a Tehran court judge.

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## OVERSEAS NEWS

## Israel wage and price pact hailed as breakthrough

BY DAVID LENNON IN TEL AVIV

ISRAEL'S NEW voluntary agreement with trade unions and employers to control prices, wages and taxes for the coming eight months, is being hailed as a major achievement for the Israeli Government, as it struggles to bring the economy under control.

In spite of the last minute arguments over the interpretation of some clauses, all sectors of the economy yesterday welcomed the agreement. The pact was hammered out over the last four days in a series of marathon meetings conducted by Mr Shimon Peres, the Israeli Prime Minister, and was due to be signed last night.

The key achievement is that the pact will enable the economy to make a controlled exit from the three-month

price freeze which expires at the beginning of February. That first accord dramatically reduced the country's massive inflation rate to just over 3 per cent in December, compared to more than 20 per cent monthly in the period preceding, before the pact came into force.

Mr Yitzhak Mordechai, the Finance Minister, expressed satisfaction with the new agreement and said that if the Government can now implement the proposed cuts in its budget, the economy could be on the way to recovery in another year.

The new package allows prices to rise by an average of 3 to 5 per cent a month for the next eight months. The only exception will be Government subsidised goods and services

whose prices will rise much more substantially in the coming three months in order to cut Government spending by \$1bn (£895m).

Mr Gad Ya'acobi, the Minister of Economics, said the agreement would contribute significantly to slowing down the inflation rate. This is because, he said, "the reduction in the subsidies will enable the Government to reduce its expenditure. Inflationary pressure will also be eased by the agreement of the workers to forego compensation for the rise in the price of subsidised goods, and the agreement by the employers — to absorb part of the increase in input costs without raising their prices."

The minister said the move from a frozen to a controlled and directed economy would also improve the position of the country's severely strained foreign currency reserves within seven or eight months.

Under the new agreement all wage earners will receive a flat rate compensation of about \$10 in their next wage packet to offset the price increases. Wage increments paid under the indexation system will not take into account the increase in the price of subsidised goods.

The agreement permitted the Government to raise the price of petrol, electricity and water yesterday by between 25 and 50 per cent. In addition the price of subsidised goods is expected to rise by about 12 per cent a month during the next three months.

## Philippine general posts bail

GENERAL FABIAN VER, the Philippines armed forces chief, yesterday posted bail of P20,000 (£1,500) after an arrest warrant was served in connection with the assassination 13 months ago of opposition leader Benigno Aquino, writes Reuter from Manila.

Gen Ver and 25 others accused of being either principals, accomplices or accessories are to be tried in a special court.

## Kim may visit Tokyo

Japan may allow South Korean dissident leader Kim Dae-Jang to stop off in Japan on his return to Seoul from voluntary exile in the U.S. Jurek Martin reports from Tokyo. The Foreign Ministry yesterday said that this would be "reasonable" but stressed that the decision lay with the Justice Department. Mr Kim's travel documents only permit him to fly to the U.S. and to his native Korea.

## Japan rejects pact

Japan has rejected a Soviet proposal for a long-term economic co-operation pact, the Foreign Minister told Reuter in Tokyo. Following a further two-day round of trade consultations, the Japanese said political relations had not become sufficiently stable.

## Sino-Soviet success

Cross-border trade between China and the Soviet Union is expected to double this year to about \$13m (£11.5m), according to a New China News Agency report quoted by Reuter. Increased frontier trade between the two communist powers is seen by both sides as a symbol of improved relations.

## Taiwan output rises

Taiwan's industrial production index in December stood at 131.7, up 4.35 per cent from November and 4.78 per cent from a year earlier, according to government statistics, reported by AP-DJ.

## Indian income boost

India's per capita income rose 5.2 per cent last year but remained one of the lowest in the world at 2,201 rupees (£155), according to a government report quoted by AP-DJ.

Malaysia's leader is newly vulnerable, reports Chris Sherwell

## Mahathir faces political difficulties



THE chief minister of the home state of Malaysian Prime Minister Mahatir Mohamad (left) has resigned amid controversy over his presence at a party in Bangkok, writes Wong Sulong from Kuala Lumpur.

Datuk Syed Nahar Shahabuddin, chief minister for the past seven years of the northern and predominantly Moslem state of Kedah, said in the state capital, Alor Star, that he was making way for a younger man. For the past two months, Syed Nahar, 50,

has been deeply embarrassed by a video tape, produced by the opposition party Islam, showing him at the Bangkok party. The tape has been widely reproduced in Kedah and neighbouring states.

Syed Nahar has defended himself, saying that he did nothing wrong at the party and accusing his political opponents of doctoring the tape to suggest his behaviour had been immoral. His successor, Datuk Osman Aroff, will be sworn in on Monday.

principles of government. The MCA, almost a year after its troubles burst into the open, has been unable to patch up its differences. The squabble originally focused on allegedly padded membership lists, but degenerated into a legal and personal clash over the leadership.

This has shocked the Chinese community and may even have helped the electoral standing of the opposition Democratic Action Party, a predominantly Chinese party highly critical of the Government.

The Pas controversy, disturbing to all those concerned about the possible growth of religious extremism in Malaysia, produced an astonishing proposal to debate on television the proper place in politics of the country's major religion.

The plan was eventually scotched by no less a figure than the King, who is formally the final arbiter on aspects of the Moslem faith in Malaysia. The irony of his intervention, following the earlier constitutional argument over his powers, was lost on no-one.

But Dr Mahathir's main political problem actually goes back to before the time he was elevated from the Deputy Premier's position in 1981. This is the continuing Bank Bumiputra scandal, in which the country's biggest bank formed to help economically weak Malays compete with the prosperous Chinese community, lent and lost billions of dollars to Chinese property speculators in Hong Kong between 1980 and 1983.

As details of the affair have unfolded, the suspicion has grown that leading figures in the Malaysian political establishment are implicated. So widespread is the talk of a cover-up that a new word could soon creep into the local lexicon

— "Bumigate." One newspaper has even named it "Malaysian of the Year." Tan Sri Ahmad Noordin, the Auditor General, because of his skilful handling under restricted and difficult circumstances of the investigation into the bank's bad loans.

The Auditor General, obviously shocked by what he has discovered so far, has already called for a Royal Commission into the whole banking industry. But the most volatile criticism has come from a furious Hussain Onn, Dr Mahathir's predecessor who, perhaps only coincidentally, is known to have been unhappy about the way he eventually left office. He says the country's Malay community has been disgraced by the scandal and wants to see the culprits punished.

It still remains a puzzle who ultimately authorised the original Hong Kong loans, which went chiefly to the Carrian empire, and who sanctioned the expensive and ultimately abortive attempt to prevent what became the colony's biggest bankruptcy.

Who was behind Carrian itself is an even bigger mystery. It is also not certain whether more heads will roll beyond those who have now gone from Bank Bumiputra.

How seriously any further damaging revelations might affect Dr Mahathir's personal position is an open question. His determined and ambitious efforts to modernise Malaysia have rightly won him plenty of admirers, and can be expected to resist any attempts to ease him out, or to make him ask responsibility and resign.

Teapku Razaleigh Hamzah, shifted last year to the Trade and Industry Ministry, has previously been thought vulnerable because his Finance Ministry

was at a crucial time a major shareholder of Bank Bumiputra. Equally the one man who by common consent stands to gain most from the Government's embarrassment over Bank Bumiputra is Datuk Musa Hitam, the Deputy Prime Minister.

Though always tipped eventually to succeed Dr Mahathir, Datuk Musa's protégé's success in winning key positions in Umno party elections last May was quickly followed by the installation of Mahathir's associates to run the party day-to-day, and by a Cabinet reshuffle in which the Prime Minister's long-time aide, Mr Daim Zainuddin, was brought in from private business to run the Finance Ministry.

People have since stopped talking of the "Two Ms", a favourite label to describe the powerful duo when they stood more firmly together. Though suggestion of a split remain far-fetched even now, it has not gone unnoticed that Datuk Musa has made conspicuous moves during Dr Mahathir's absences abroad to deal decisively with matters like the nuclear dump controversy and the MCA crisis.

None of this means that either Malaysia or even Dr Mahathir are in trouble. What it does suggest, however, is an unforeseen shift in sentiment which, as long as it continues, can be exploited by factions within Umno, components of the ruling coalition and opposition parties and groups.

That may be why talk of an early election is now building, so that a popular mandate might be renewed to head off potential difficulties. Politics in Malaysia's complex democracy thus promise to be even more fluid in the coming months than they have seemed in the past.

## Troop negotiations fail

BY OUR TEL AVIV CORRESPONDENT

ISRAELI AND Lebanese failed to reach any agreement yesterday on security arrangements in the areas of South Lebanon which Israel is planning to evacuate and no date has been set for another negotiating session.

It now appears that the only hope for an orderly transfer of the city of Sidon from Israeli hands to Lebanese Government or UN troops, depends on the persuasive ability of Mr Brian Urquhart, the United Nations under-secretary general who returned to the region last night. Israel refused at yesterday's meeting to provide the Lebanese

with a timetable for the three stages of its planned withdrawal of its troops. The first stage is due to be completed on February 18.

In response, the Lebanese said they would not discuss security arrangements for the vacated areas after the Israeli pullback. Gen Mohammed el-Haji, the head of the Lebanese delegation said the Lebanese army was getting ready to deploy in the Sidon area once the Israelis withdrew.

Colonel Yona Gazit, spokesman for the Israeli delegation, described the meeting as "disappointing."

## Iran civil war talks 'collapse'

BY TERRY POVEY

SECRET TALKS aimed at bringing about a ceasefire in the bitter six year old civil war between Ayatollah Khomeini's fundamentalist Government and Iran's Kurdish minority have collapsed, said a Kurdish leader yesterday.

The Kurdish Democratic Party, the largest of the groups fighting in the mountainous region of western Iran, believes that the reason Tehran pushed so hard for an immediate ceasefire is so that it could move a substantial proportion of the 60,000 troops and irregulars in-

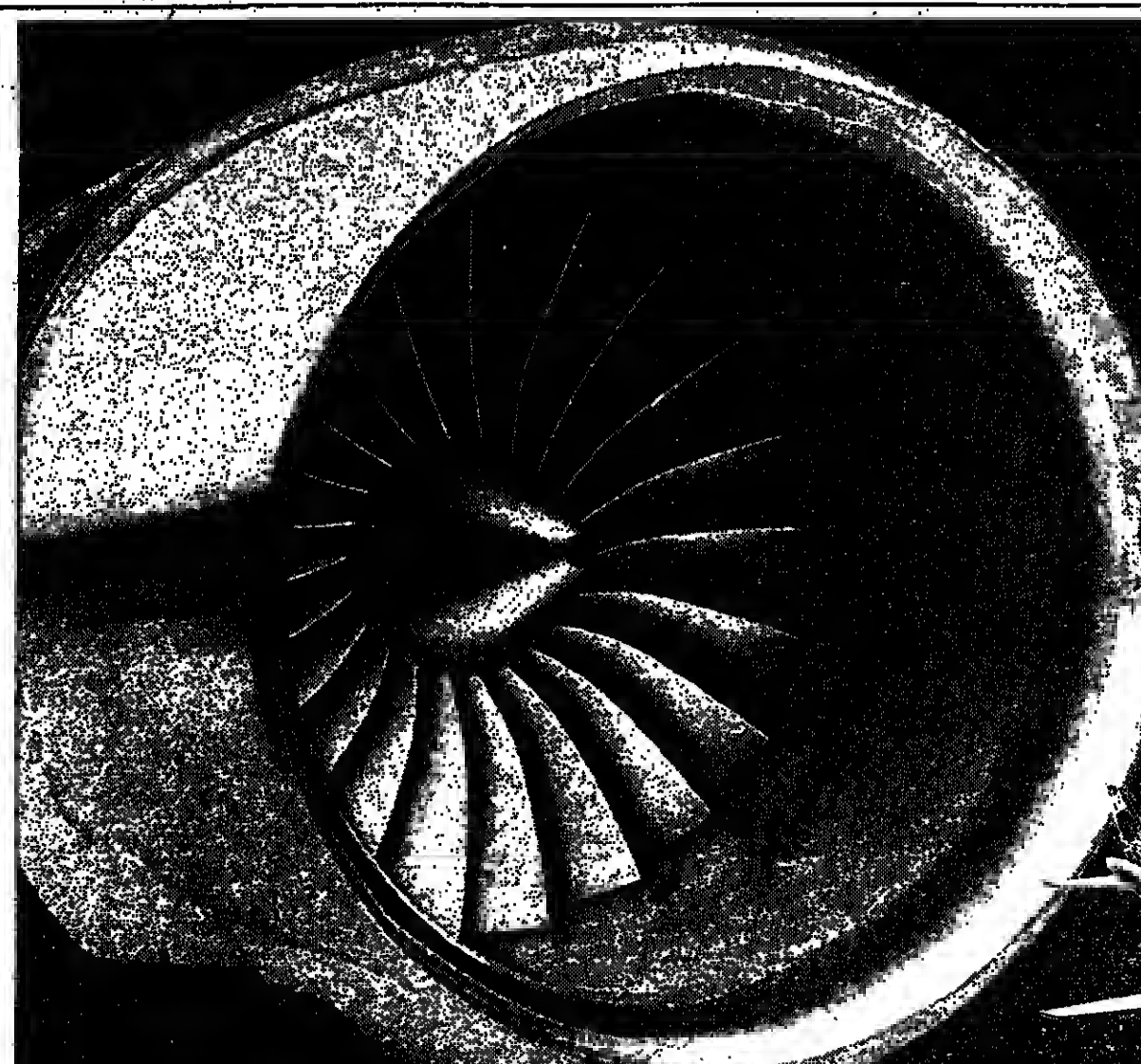
volved in policing the rebellious area to the Gulf war battlefields. Iran has found it more and more difficult to replace the men lost in its "human wave" offensives in the war with Iraq over the last two years.

According to Dr Abder Rahman Ghassemlou, the head of the KDP, the party is opposed to any ceasefire before its demand for regional autonomy is answered.

Face to face negotiations, held despite the reviling of the KDP in the official Press for most of the last five years, be-

tween the warring parties were first held last summer when two political officials and a revolutionary guard commander met with the KDP in guerrilla-controlled territory.

Ayatollah Khomeini wants an end to the "killing of brother by brother" the KDP were told. Subsequent contacts, including one in Paris recently, have, however, convinced the KDP that the only purpose of the Government is to ease its manpower problems rather than to seriously discuss the autonomy issue.



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## AMERICAN NEWS

## EPA discloses details on leaks at Union Carbide

BY TERRY DODSWORTH IN NEW YORK

A U.S. ENVIRONMENTAL Protection Agency report on Union Carbide's safety procedures has disclosed that the company's plant at Institute, West Virginia, leaked 840 lb of methyl isocyanate, the chemical responsible for over 2,000 deaths in the recent disaster at Bhopal in India, in an incident just over a year ago.

According to company officials, this leakage was contained within the plant and the EPA says that there is no evidence it threatened public health.

The agency added, however, that it is continuing investigations of this and other leaks and would consider asking for a criminal investigation if it discovered that the chemical had been "released into the environment."

In a separate development yesterday, Mr Henry Waxman, the Democratic Congressman from California, said that Union Carbide team had warned last September that the company's Institute facility could face a "runaway reaction" in tanks holding methyl isocyanate.

## Kirkpatrick unlikely to accept aid agency job

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan plans to offer another Administration post to Mrs Jeanne Kirkpatrick, the U.S. Ambassador to the United Nations, but there was considerable doubt in Washington yesterday whether she would accept.

Washington speculation has for some time been that Mr Reagan would propose that she become head either of the Agency for International Development (AID), which administers the U.S. foreign aid programme, or of the U.S. Information Agency. Mr Reagan is expected to meet Mrs Kirkpatrick next week to discuss her future.

Mr Reagan said in an interview on Wednesday that he had found a new foreign policy job for the conservative Mrs Kirkpatrick "that she would be very good at." But he would not

## Average pay rise in U.S. lowest on record

By Nancy Dunne in Washington

AVERAGE pay increases in major collective bargaining agreements reached last year in the U.S. were the lowest recorded in the 17 years statistics have been collected, the Labour Department said yesterday.

Rises given in 1982 under union contracts averaged 2.3 per cent in the first contract year and 2.3 per cent annually over the contract life. The previous low settlement record was reported in 1983.

The 1982 settlements replaced contracts that called for an average first-year pay increase of 5.9 per cent and an increase of 4.9 per cent of the life of the agreement.

In some industries, particularly in automobile manufacturing, lump sum payments were negotiated instead of wage rate increases in some cases, particularly in the construction industry wages were cut or frozen.

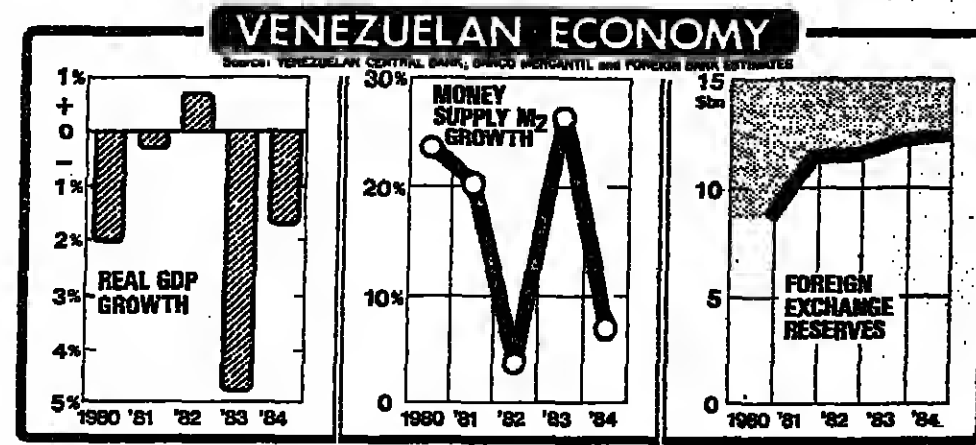
## 'Contra' aid plea likely to fail

THE REAGAN Administration yesterday faced a further erosion of Congressional support for its covert war in Nicaragua, after Sir Richard Lugar, the new Republican Chairman of the Senate Foreign Relations Committee, said the U.S. must find other ways to apply pressure on the Sandinista Government.

Mr Lugar predicted Congress would probably reject an Administration request for further aid to the anti-Sandinista "Contra" rebels which is expected in the coming weeks.

Mr Lugar told the Washington National Press Club that the aid was no longer "because it is no longer covert and Congress would probably not continue to fund it."

The point was echoed by President Ronald Reagan, who said in an interview that covert aid must continue because the open supply of funds could be considered an act of war.

New methods of funding interest payments have cleared a way, reports Peter Montagnon  
Bankers optimistic on Venezuela debt talks

VENEZUELA'S leading commercial bank creditors are to meet in New York today amid hopes that further progress can be made in drafting the legal documents needed to complete the rescheduling of some \$20.7bn in public sector debt. Agreement in principle was reached on the rescheduling last September.

The climate for discussion became much more optimistic over the past month as Venezuela began serious efforts to deal with outstanding problems surrounding its \$8bn private sector debt. Irritation over payment delays by the private sector led to the suspension in October of public sector debt rescheduling talks.

In December, however, the Venezuelan authorities began to permit a faster flow of interest payments on private sector debt, with about \$80m paid out in that month alone. That increased flow is one of the main reasons behind hopes the rescheduling can at last be put back on the rails, though years of frustration in dealing with Venezuela have led bankers to continue to warn that further obstacles could still lie ahead.

For their part, the Venezuelan authorities point to three steps they have now taken to ease the logjam on private sector debt service payments.

First, they have simplified and accelerated the procedures for registering private sector debt to determine whether it qualifies for the scheme whereby subsidised currency is made available for service payments. The new procedures

were explained to about 200 foreign bankers at a seminar in Caracas last week where, bankers say, the reception was generally positive. About \$60m in private sector debt has now been processed under the scheme.

Second, Venezuela has launched a scheme whereby the Electricidad de Caracas, a leading private sector utility with debts of just over \$700m, and certain so far unspecified finance houses can buy zero coupon bonds to meet current interest obligations. This is designed to reduce their effective interest burden and ease pressure on their local currency cash-flow from interest payments.

Third, the authorities have indicated a willingness to deal with difficulties at Banco de los Trabajadores which has annoyed a number of leading bank creditors by failing to meet its foreign currency obligations.

The right's control of the assembly also hinders implementation of land reform and weakens the President's control of the armed forces.

The onset of the elections has brought a general upsurge in violence. Since the beginning of January there have been nearly 20 politically motivated assassinations of public figures.

The prospect of elections and the strong resurgence of the right, which has regrouped after its poor showing in the presidential elections, has dampened any prospect of progress in peace talks with the left-wing guerrillas.

## El Salvador elections postponed

BY ROBERT GRAHAM

THE AUTHORITY of El Salvador's President, Sr Jose Napoleon Duarte, has suffered a serious blow as a result of the decision to postpone the elections.

The elections are of great significance to El Salvador and to the Christian Democrat president-elect last May. Sr Duarte needs to win a majority in the 60 seat national assembly to carry out the political and social reforms he promised on taking office.

The assembly is controlled by a coalition of right-wing parties led by Major Roberto d'Aubuisson's Arena.

Last December Sr Duarte's efforts to veto parts of the electoral law preventing the formation of coalitions were overruled by the assembly. The matter is still before the Supreme Court.

## Costa Rica to seek \$75m from bank creditors

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

COSTA RICA is to seek a \$75m (\$66.9m) credit from its 285 commercial bank creditors as part of a new debt rescue package that also involves rescheduling of \$150m in debt falling due this year.

Agreement on the basic terms of the package has been reached with the committee of lending creditors headed by Bank of America which is due to circulate details of all creditor banks over the weekend.

The deal follows progress made by Costa Rica in its lengthy negotiations with the International Monetary Fund.

Mr Jacques de Larosiere, IMF Managing Director, is expected to submit proposals for a \$50m one-year standby credit to the IMF executive board towards the end of February.

But Board approval of the IMF loan to Costa Rica will depend on adequate support from creditor banks for their own part of the package. The \$75m credit will increase their exposure to Costa Rica by 61 per cent of the level at June 30.

Additionally, the IMF is expected to reschedule an unspecified amount of debt falling due next year.

## WORLD TRADE NEWS

John Elliott in New Delhi describes the complex bidding for two aerospace contracts

## How France combines its export talents

"THEY ALWAYS have better information than we do, not just to India but all over the world," says a senior executive of an international company that often finds itself in direct competition with French high technology concerns.

France has been adopting a persistent and aggressive approach in India on projects such as Airbus airliner orders, helicopter tenders and the telecommunications business.

Its tactics of combining all the talents of high-level political persuasion, diplomatic representation and commercial negotiation are well known, its effective deployment of these skills does not surprise negotiators from other countries who have competed against the French elsewhere.

The sophistication of the French export effort in India is a source of envy to other exporting nations. However, a sense of pique has developed this week because of the sudden withdrawal from New Delhi of Lt-Col. Alain Bolley, France's deputy military air and naval attaché. His departure comes just as India's biggest-ever scandal was breaking. It was speculated that this could affect the French export effort.

## NTT rejects U.S. satellites

JAPAN'S domestic telephone monopoly, Nippon Telegraph and Telephone Public Corporation (NTT), has rejected a request from the U.S. to buy U.S.-made telecommunications satellites. Renter reports from Tokyo.

NTT officials, quoted Mr Hisashi Shinto, the NTT president, as telling Japanese reporters Wednesday that it would be difficult for the state-run corporation, due to be privatised in April, to buy U.S. satellites.

Mr Shinto cited financial problems and the Japanese Government's space development plans which call for Japan to build its own satellites.

Two days of trade talks between U.S. and Japanese government officials start here next Monday.

The U.S. is expected to urge Japan to increase imports of U.S. goods, including satellites, to reduce the massive U.S. trade deficit.

A characteristic of French success has been the careful balance and excellent timing of project and sales bids. Until last year, however, nearly three months ago, Mrs Indira Gandhi, India's then Prime Minister, would be drawn into the net with a telephone call from President Francois Mitterrand of France on a specific contract.

The two most important current projects involve the French Aerospace Industry trying to overturn projects on the verge of finalisation for Boeing 757 airliners from the U.S. and Westland 30 helicopters from the UK.

Last June after long battles between Boeing and the French-based Airbus Industrie consortium, Indian Airlines the domestic operator, chose Boeing 757 aircraft. Air India, the international operator, opted for the Airbus A320-300ER. The orders are worth about \$400m to \$500m each, and financial packages including Euroloans, and possible leasing arrangements for some of the Air India Airbus, are now being explored by the Indian Government.

Last May, just as Boeing

seemed set to clinch the India Airlines deal, Mr Bernard Lathiere, president of Airbus, flew into Delhi and astounded officials by flamboyantly offering a bonus to the Indian Government of about \$50m, if both airlines bought Airbus.

That play failed and the Indian Airlines board opted for Boeing in June. In August it issued a letter of intent to Boeing and paid a deposit.

But the deal had still to go to India's Public Investment Board and Cabinet for final approval, so late in November, Airbus tried again. It said that if Indian Airlines would pledge to buy Airbus and guarantee not to buy Boeing, it would supply a completely new Airbus A320 in the choice of engines. (Earlier it had been offering the current A310-300 model.)

In the meantime it made an offer that meant its suggestion has to be taken seriously—it would lease Indian Airlines at no cost of extra sales in the hope of extra sales in the SLR sector has also been affected by sales of 35mm compact cameras which produce good quality pictures, are fully automatic and cost, on average, less than £100 and do not offer the hope of extra sales in the form of camera accessories as SLR cameras do.

In Europe sales of SLR cameras have declined from a peak of 2.7m units four years ago to only 1.7m while compact cameras have grown by 30 per cent. Britain's sales have remained stagnant at about 500,000 cameras a year.

Aerospatiale offered to make a gift of the six "VIP" helicopters and to provide 30-year loans at 2.5 per cent to cover half the cost of the gas field helicopters.

The contract was approved by the Indian Cabinet last August. But in November and December, just as the UK was falling from favour diplomatically with India because of the activities of Sikh extremists in Britain, Aerospatiale returned to New Delhi.

It raised queries about the suitability of Westland's technology, and unsuccessfully suggested splitting the order. Now Westland's executives are returning to Delhi hoping to seal the order quickly.

There are other examples of French expertise, notably in 1982 when its CIT-Alcatel won a major telephone exchange factory order, which had not even gone out to tender, against competitors from Siemens of West Germany and System X from the UK.

If France, which has reputedly been finding it harder to win contracts recently because of high prices, now runs into a little trouble there will be a lot of negotiators from other countries who may sleep a little easier in the coming months.

## Japan Air Lines orders Boeing 747s

By Michael Dome, Aerospace Correspondent

JAPAN AIR LINES has ordered three more Boeing 747 Jumbo jets, worth about \$300m (£270.27m). This deal will bring total JAL orders for Jumbo jets to 53, making it the world's biggest user of this type of aircraft. The 50th Jumbo for JAL is due for delivery next month.

The three aircraft ordered are for delivery in 1986. One of the aircraft is a high-density short-range aircraft for use on Japanese domestic air routes; another is a long-range aircraft, and the third an all-cargo jet.

Boeing now has a total order book for 644 Jumbos. Boeing has also announced two more orders for its short-range 737-200 twin-engine jet airliners, worth \$36m.

One is for Air Canada and the other for Cameroon Airlines. World-wide orders for the 737 now stand at 1,258 aircraft, of which 1,068 have been delivered.

## Malta to buy furnace

BRITAIN'S Foster Wheeler Power Products will provide Malta's state-owned energy corporation Enemalta with a 60 KW coal-fired furnace costing \$55m (£50.7m) for installation at the island's central power station at Marsa, Godfrey Grima reports from Valetta.

## British Alcan

BRITISH ALCAN yesterday denied that the delay in announcing a \$7m contract to build the dome and caps for minarets for a new mosque in the Malaysian state of Selangor was because of political reasons.

According to the company, a letter of intent, or nomination, was issued in October 1982. "Much time since then has been spent finalising detail and supply arrangements. Our normal policy is always to release news of contractual arrangements when fully finalised and when physical progress is noteworthy."

A company spokesman added that no political implications were involved and that its relationships with the Malaysian elements were those of willing buyers and sellers.

## Trademark holders in EEC may be able to destroy pirate goods

BY IVO DAWNAY IN BRUSSELS

HOLDERS of trademarks within the EEC may soon have the right to block, and possibly ultimately to destroy, counterfeit goods, such as books and Community frontiers.

The new measure, aimed at trade from countries outside the EEC, could later be extended beyond trademarked goods and include other cases of illegally manufactured goods, and breaches of copyright law.

It comes in a plan announced yesterday by the European Commission which will now be pursued by EEC trade ministers. This proposes that trademark holders suspecting consignments of counterfeit goods are about to enter the Community will be able to apply to customs authorities to impound them for 30 days.

During this period, the trademark holder would be allowed to prove his case. If the goods were found to be counterfeit they would be confiscated and "disposed of outside the normal channels of commerce." It is understood that this would involve financial loss for the importer and possibly the destruction of the goods concerned.

The Commission move comes in the face of growing concern among manufacturers and owners of intellectual property rights, such as books and records, at the mounting international trade in counterfeit goods.

They allege that counterfeiting is not only a source of sales and damage to reputation from phony products, but in many cases has caused material or financial injury to buyers.

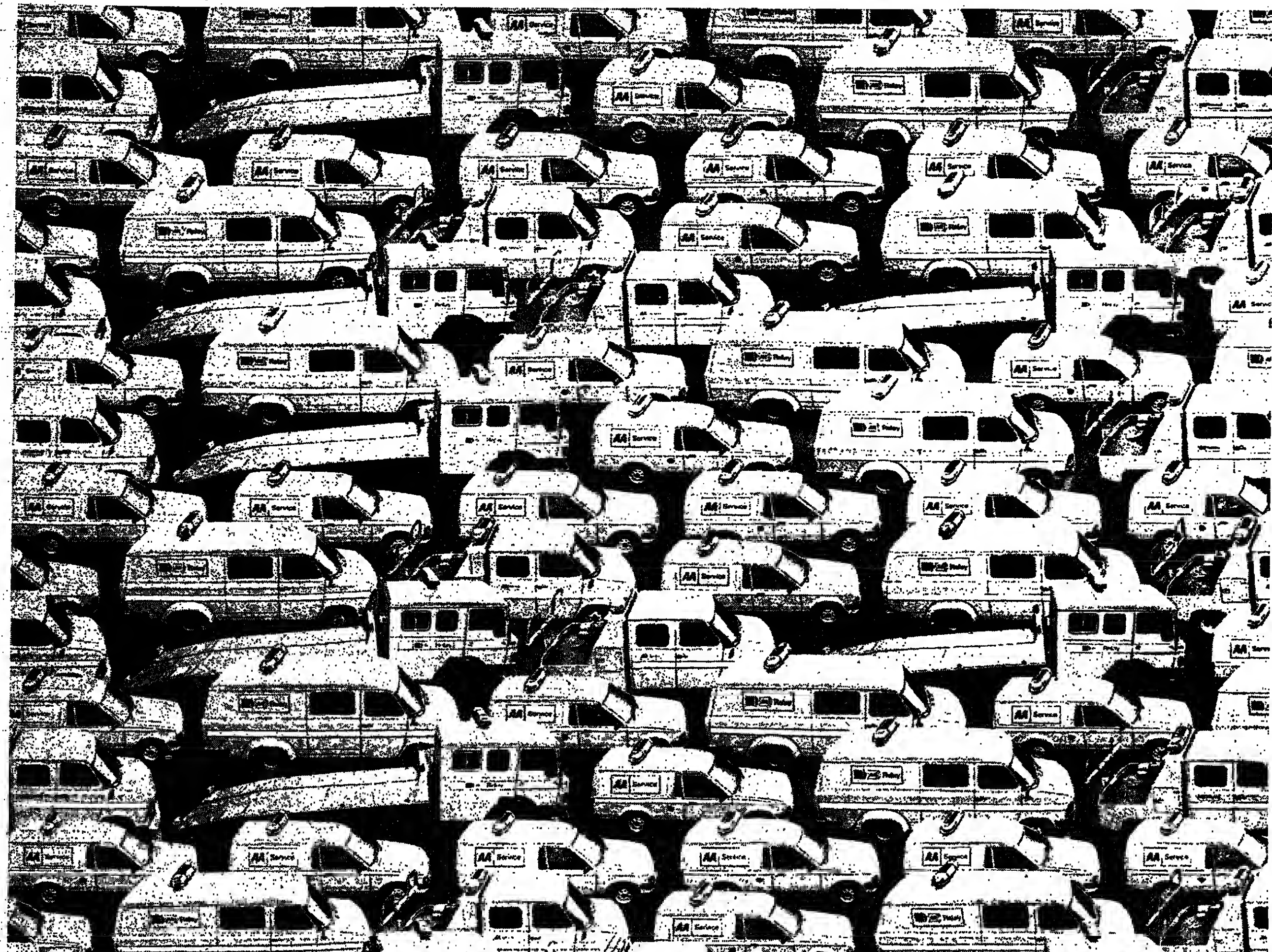
The Commission also has an example of sales of fertilisers that have destroyed crops and helicopter parts which failed in use.

The EEC has joined the U.S. in pressing for firm action under the General Agreement on Tariffs and Trade (GATT) to halt counterfeiting. The issue provoked major controversy at the annual GATT contracting parties meeting in November, when several less-developed countries argued that to bring rules on counterfeiting into the agreement would distract from the main task of shortening existing GATT areas of interest currently under-observed.

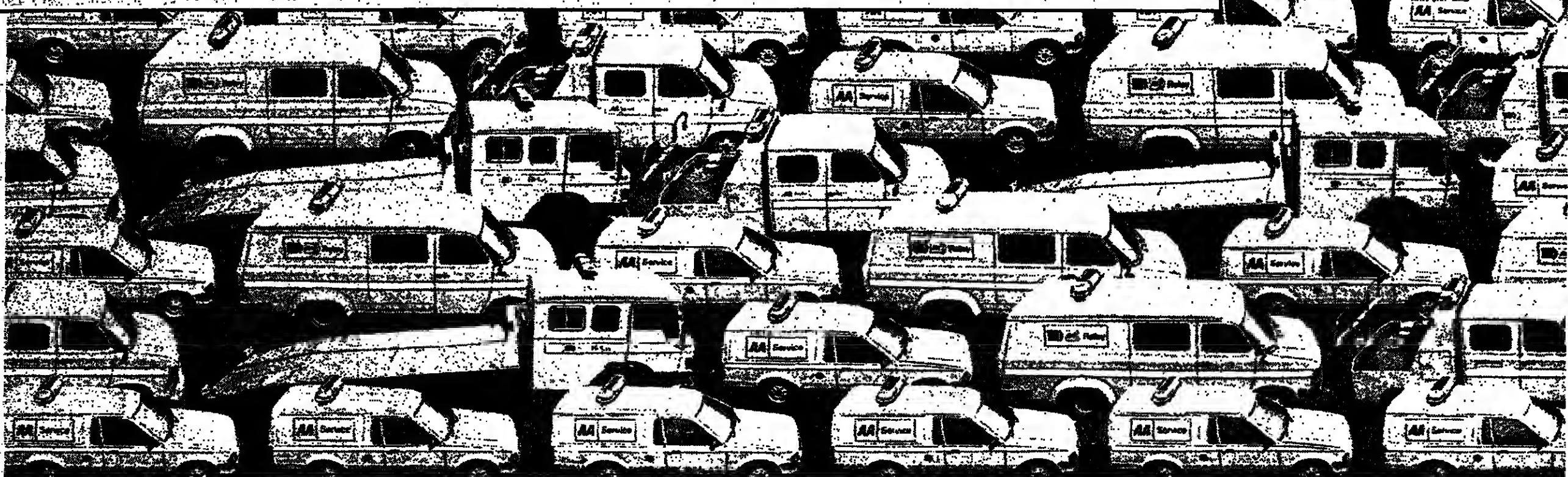
The Justice Department has asked the Supreme Court to clarify U.S. antitrust law. The Japanese Government and other important U.S. trading partners have read the Court of Appeals' rejection of the "sovereign-compulsion" defence in this case as indicating that the imposition of voluntary restraints by foreign governments can readily subject the foreign companies involved to burdensome litigation and possible treble-damages (under U.S. antitrust laws) in this country. The Justice Department advised the Supreme Court that the Court decision in this case is allowed to stand, other governments "understandably may be reluctant to accommodate proposals by the U.S. to resolve trade controversies by the imposition of voluntary restraint agreement on their own manufacturers."

JPL in 1980





## ***A fleeting glance at our resources.***



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They represent a mere fraction of the 3,100 strong AA patrol force. Of course, you don't usually see this many together at once.

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## UK NEWS

## The Copenhagen County Authority

(Københavns Amtskommune)

U.S. \$15,000,000 7% Bonds of 1972 due 1987

Kreditbank S.A. Luxembourg hereby gives notice that, in accordance with the Terms and Conditions applicable to the above-mentioned loan, Bonds for the principal amount of U.S. \$1,131,000 have been drawn on January 9, 1985 for redemption at par on February 15, 1985. Principal amount of Bonds purchased by the Company: U.S. \$ 869,000.

The following Bonds have been drawn and may be presented to Kreditbank S.A. Luxembourg-geise 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Bonds:

00059	00060	00061	00062	00063	00064	00065	00066	00067	00068	00069	00070	00071	00072	00073	00074	00075	00076	00077	00078	00079	00080	00081	00082	00083	00084	00085	00086	00087	00088	00089	00090	00091	00092	00093	00094	00095	00096	00097	00098	00099	00100	00101	00102	00103	00104	00105	00106	00107	00108	00109	00110	00111	00112	00113	00114	00115	00116	00117	00118	00119	00120	00121	00122	00123	00124	00125	00126	00127	00128	00129	00130	00131	00132	00133	00134	00135	00136	00137	00138	00139	00140	00141	00142	00143	00144	00145	00146	00147	00148	00149	00150	00151	00152	00153	00154	00155	00156	00157	00158	00159	00160	00161	00162	00163	00164	00165	00166	00167	00168	00169	00170	00171	00172	00173	00174	00175	00176	00177	00178	00179	00180	00181	00182	00183	00184	00185	00186	00187	00188	00189	00190	00191	00192	00193	00194	00195	00196	00197	00198	00199	00200	00201	00202	00203	00204	00205	00206	00207	00208	00209	00210	00211	00212	00213	00214	00215	00216	00217	00218	00219	00220	00221	00222	00223	00224	00225	00226	00227	00228	00229	00230	00231	00232	00233	00234	00235	00236	00237	00238	00239	00240	00241	00242	00243	00244	00245	00246	00247	00248	00249	00250	00251	00252	00253	00254	00255	00256	00257	00258	00259	00260	00261	00262	00263	00264	00265	00266	00267	00268	00269	00270	00271	00272	00273	00274	00275	00276	00277	00278	00279	00280	00281	00282	00283	00284	00285	00286	00287	00288	00289	00290	00291	00292	00293	00294	00295	00296	00297	00298	00299	00300	00301	00302	00303	00304	00305	00306	00307	00308	00309	00310	00311	00312	00313	00314	00315	00316	00317	00318	00319	00320	00321	00322	00323	00324	00325	00326	00327	00328	00329	00330	00331	00332	00333	00334	00335	00336	00337	00338	00339	00340	00341	00342	00343	00344	00345	00346	00347	00348	00349	00350	00351	00352	00353	00354	00355	00356	00357	00358	00359	00360	00361	00362	00363	00364	00365	00366	00367	00368	00369	00370	00371	00372	00373	00374	00375	00376	00377	00378	00379	00380	00381	00382	00383	00384	00385	00386	00387	00388	00389	00390	00391	00392	00393	00394	00395	00396	00397	00398	00399	00400	00401	00402	00403	00404	00405	00406	00407	00408	00409	00410	00411	00412	00413	00414	00415	00416	00417	00418	00419	00420	00421	00422	00423	00424	00425	00426	00427	00428	00429	00430	00431	00432	00433	00434	00435	00436	00437	00438	00439	00440	00441	00442	00443	00444	00445	00446	00447	00448	00449	00450	00451	00452	00453	00454	00455	00456	00457	00458	00459	00460	00461	00462	00463	00464	00465	00466	00467	00468	00469	00470	00471	00472	00473	00474	00475	00476	00477	00478	00479	00480	00481	00482	00483	00484	00485	00486	00487	00488	00489	00490	00491	00492	00493	00494	00495	00496	00497	00498	00499	00500	00501	00502	00503	00504	00505	00506	00507	00508	00509	00510	00511	00512	00513	00514	00515	00516	00517	00518	00519	00520	00521	00522	00523	00524	00525	00526	00527	00528	00529	00530	00531	00532	00533	00534	00535	00536	00537	00538	00539	00540	00541	00542	00543	00544	00545	00546	00547	00548	00549	00550	00551	00552	00553	00554	00555	00556	00557	00558	00559	00560	00561	00562	00563	00564	00565	00566	00567	00568	00569	00570	00571	00572	00573	00574	00575	00576	00577	00578	00579	00580	00581	00582	00583	00584	00585	00586	00587	00588	00589	00590	00591	00592	00593	00594	00595	00596	00597	00598	00599	00600	00601	00602	00603	00604	00605	00606	00607	00608	00609	00610	00611	00612	00613	00614	00615	00616	00617	00618	00619	00620	00621	00622	00623	00624	00625	00626	00627	00628	00629	00630	00631	00632	00633	00634	00635	00636	00637	00638	00639	00640	00641	00642	00643	00644	00645	00646	00647	00648	00649	00650	00651	00652	00653	00654	00655	00656	00657	00658	00659	00660	00661	00662	00663	00664	00665	00666	00667	00668	00669	00670	00671	00672	00673	00674	00675	00676	00677	00678	00679	00680	00681	00682	00683	00684	00685	00686	00687	00688	00689	00690	00691	00692	00693	00694	00695	00696	00697	00698	00699	00700	00701	00702	00703	00704	00705	00706	00707	00708	00709	00710	00711	00712	00713	00714	00715	00716	00717	00718	00719	00720	00721	00722	00723	00724	00725	00726	00727	00728	00729	00730	00731	00732	00733	00734	00735	00736	00737	00738	00739	00740	00741	00742	00743	00744	00745	00746	00747	00748	00749	00750	00751	00752	00753	00754	00755	00756	00757	00758	00759	00760	00761	00762	00763	00764	00765	00766	00767	00768	00769	00770	00771	00772	00773	00774	00775	00776	00777	00778	00779	00780	00781	00782	00783	00784	00785	00786	00787	00788	00789	00790	00791	00792	00793	00794	00795	00796	00797	00798	00799	00800	00801	00802	00803	00804	00805	00806	00807	00808	00809	00810	00811	00812	00813	00814	00815	00816	00817	00818	00819	00820	00821	00822	00823	00824	00825	00826	00827	00828	00829	00830	00831	00832	00833	00834	00835	00836	00837	00838	00839	00840	00841	00842	00843	00844	00845	00846	00847	00848	00849	00850	00851	00852	00853	00854	00855	00856	00857	00858	00859	00860	00861	00862	00863	00864	00865	00866	00867	00868	00869	00870	00871	00872	00873	00874	00875	00876	00877	00878	00879	00880	00881	00882	00883	00884	00885	00886	00887	00888	00889	00890	00891	00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Bank of Scotland

**BANK OF SCOTLAND Account Details**

As at close of business 14 Jan 85

Account No	00428407
Balance	125.84
Today's items	75.43
Fund transfers pending	65.00
Keycard withdr pending	30.00
Interest accrued	-1.12
Charges accrued	-0.50
Overdraft limit	200.00
Cash available from Keycard	70.00

Key 0 Account Index 1 Statement  
2 Today's Items 3 Finish

UP TO DATE INFORMATION.

Bank of Scotland

**Make Bill Payments**

Mandate No : 104  
To : 8 of 5 Visa Card  
Reference : 4920517302317

Account to be debited on : 04th February 1985  
Amount : £174.26  
Bill paid by : 06th February 1985  
No changes after : 30th January 1985

Key 1 To confirm this payment  
2 To change this payment  
3 To cancel this payment

PAYMENT OF BILLS.

Bank of Scotland

**BANK OF SCOTLAND Inter-account transfers**

Details

From  
Current Account No 00428407  
Grant J A Pers Acc  
Home Banking Centre

To  
Investment Account No 02037184  
Grant J A  
Home Banking Centre

Amount : £100.00

Key 1 To send 2 Not to send  
3 Change Accounts 4 Change Amount 5 Change both

INTER-ACCOUNT TRANSFERS.

Bank of Scotland

**Standing Order Mandates Held**

Date	Details	Amount
30Jan85	Upland Electricity Monthly	32.40
06Feb85	British Gas Monthly	31.15
01Feb85	Midshires Council Monthly	57.81
31Jan85	General Life Ass Monthly	22.45
15Mar85	United Auto Ins Quarterly	26.95

Key 7 More Mandates  
8 Finish

STANDING ORDER DETAILS.

Bank of Scotland

**A/C No 00428407 Statement**

Date	Details	Amount	Balance
11Jan85	398410	45.00	226.97
11Jan85	P B Oil	8.75	235.72
12Jan85	398412	-27.42	208.30
13Jan85	Keycard 90375603	-100.00	108.30
14Jan85	Bank Giro Credit	47.52	155.82
14Jan85	398413	-29.98	125.84

Key 7 Earlier Items  
8 Finish

STATEMENT OF ACCOUNT.

Bank of Scotland

**BANK OF SCOTLAND Cash Management**

148 High St Southampton  
ACCOUNT: 00101407 CURRENCY: STG

Ledger position on first lines  
Debit position on second lines

Date	Details	Amount	Balance
14Jan1985	-1,456	504	1,733
15Jan1985	-389	750	-2,526
16Jan1985	0	1,048	2,094
17Jan1985	0	2,884	1,117
17Jan1985	0	0	2,094
17Jan1985	0	322	1,767
17Jan1985	0	0	2,094

Key 9 Finish

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## TECHNOLOGY

EMBRYO TRANSPLANTS COULD REPLACE ARTIFICIAL INSEMINATION

## Calves 'settle in'—in the womb

BY PETER MARSH

THE FORTUNES of a herd of pregnant Egyptian cows are bound up heavily with the scientific expertise of a small British company specialising in embryo transfer.

The animals, at a farm run by the Egyptian Government near Cairo, have received embryos from European Holstein cows selected by International Embryos of Banbury.

If all goes to plan, over the next few months the cattle will give birth to calves that exhibit all the useful milk-producing characteristics of the European animals.

As the embryos will have been growing prior to birth for 10 months in the wombs of the Egyptian animals, the calves should pick up from the blood stream of their surrogate mothers some of their resistance to disease. The adult cows will transfer more antibodies to provide this resistance during the suckling stage immediately after birth.

This will avoid the problem often encountered by livestock that are shipped from developed countries to the Third World only to find that conditions in their new homes are far from their liking.

According to International Embryos, the principle of shipping embryos around the world could replace the widespread practice of artificial insemination of cattle. In this, semen from a prize bull fertilises the ova of a cow. The embryo that results continues to develop in the uterus of its real mother.

The drawback is that, with artificial insemination, the genetic composition of the calf that evolves is only partly attributable to the bull. The young animal will also have characteristics that come from its mother—which may be far from what the animal breeder requires.

With embryo transfer, a scientist has the chance to select the perfect parents for a calf. For an animal breeder in the Third World, such animals could be specific types that grow vigorously (to produce beef) or give plenty of milk.

Embryo transfer has developed most heavily in the U.S., where about 100 companies sell cattle embryos. The companies include Granada, Carnation and Ovatech. The total world market for this activity is an estimated \$50m.

Much of the theoretical basis for this work has been de-



The implanting of Egyptian cows with embryos of European strains will give calves immunity to local diseases but the milk producing characteristics of European cows

veloped over the past 15 years at the Institute of Animal Physiology in Cambridge, part of the UK Agricultural and Food Research Council.

International Embryos says it can select the right match of parents from breeds of cattle all over the world, not just those from European countries. The added bonus is that the young animal that results from the process has a certain amount of disease resistance to add to the useful genetic traits.

According to Mr Randal Charlton, marketing director of International Embryos, the practice that his company is attempting to pioneer could greatly increase the ability of countries in the Third World to produce food in the way of meat from animals. "We have the power to transform at a stroke the characteristics of the livestock of a country."

The cattle near Cairo became pregnant as a result of a deal struck between the Banbury company and the Egyptian Government. In this, International Embryos shipped out from the UK 1,000 microscopic embryos each comprising just a few cells.

The embryos resulted from artificial insemination of Holstein cows with semen from prize bulls. The cows received hormones so that each one produced up to 10 fertile eggs.

After about four days in the

wombs of their natural mothers, the embryos were flushed out with a fluid and packed into flasks filled with liquid nitrogen at -193 deg C. From here, the sets of cells were flown to Egypt for impregnation (after thawing) in the wombs of their surrogate mothers.

International Embryos was formed last year with backing of £750,000 from investors such as pension funds. Mr Charlton formed the company with a long-time colleague, Mr Mike Leyburn. Both had worked for the Milk Marketing Board before forming, about 15 years ago, a company called International Livestock Services. This specialised in shipping European cattle to Third World countries for breeding.

But the pair found that the practice often had poor results—mainly because the European cattle reacted to the heat of their new homes and either became sickly or died.

What is more, transferring live animals around the world is expensive. Mr Charlton says that to load a Boeing 707 with cattle (such an aircraft can hold 77 Holsteins) and send it to Egypt costs £23,000.

"I can achieve much better results by flying out with 20,000 embryos in a flask the size of a suitcase. I don't even have to pay excess baggage."

With current techniques for freezing the embryos between the UK and their destination, only about 50 per cent of the embryos survive the rest of the pregnancy. International Embryos is examining modifications to the process to increase this proportion.

Besides the contract with the Government of Egypt, the company is doing similar work with state organisations in Malaysia and India. It has a contract with a private farmer in the Philippines and is negotiating deals in Canada and India.

The company charges its customers between £200 and £1,000 for each embryo that is transferred successfully and produces a perfect calf. Last year it obtained contracts worth about £2m, according to Mr Charlton.

The company, which has a staff of 35, has a research base on Warwick University's science park near Coventry. It is liaising with biology researchers at the university on new genetic techniques for producing clones of animals or "cross embryos," that contain genetic characteristics of different species of animal.

So far all the company's commercial work is confined to cattle. But it is considering extending its embryo transfer ideas to pigs and sheep.

## PHARMACEUTICALS

## Anti-cancer drug with fewer problems

A NEW anti-cancer drug is to be introduced in Britain early next month by Erbamont, the pharmaceutical subsidiary owned jointly by Italy's Montedison group and Hercules of the United States.

The new drug, to be used in chemotherapy treatment, is called Epirubicin. It is designed as the successor to the widely sold Adriamycin, which last year had global sales of \$200m. Both Adriamycin and its successor are members of the Anthracycline family, used in the treatment of solid tumours and lymphomas.

According to Erbamont, the Epirubicin treatment involves fewer side effects such as vomiting and loss of hair or teeth. Erbamont describes the new drug as "less toxic and more effective" than its predecessor.

Epirubicin has been approved by the British health authorities and is already being sold in West Germany, Italy, Argentina and South Africa. The U.S. Food and Drug Administration (FDA) has yet to approve Epirubicin.

Adriamycin, which Erbamont says may gradually be phased out if the successor is favoured by physicians, was launched in 1970 and is among the more popular drugs in use in chemotherapy treatment, particularly in the United States.

Erbamont, based in Milan, is 15 per cent owned by Hercules, the U.S. chemicals group. Montedison controls 70 per cent of the shares and a final 15 per cent is quoted publicly on the New York stock exchange.

ALAN FRIEDMAN

## Communications

## Office data networks

NEWTONS LABORATORIES, which has been designing and manufacturing multi-user microcomputer systems in London for over five years has launched FastNet for up to 16 users.

Each user has his own micro based on dual 8085 and 2801 processors, as well as direct access to a power full 32 bit MC68000 machine which controls the network. There is flexibility in the choice of languages, operating systems CP/M or MS/DOS and packaged software, with concurrent running on the same system.

Direct access to the 68000 processor, with its optional floating point co-processor, also means that the same terminals can run powerful scientific computing programs written in high level languages like Pascal.

The network can support up to 1200 megabytes on hard disk storage and can communicate with other computers over telephone lines if necessary. More on 01-574 6511.

## Programs

## Information transfer

DATAPOINT, the Tring, Herts, data capture specialist, has developed a software package that allows fast and convenient data transfer between the company's hand-held terminals and the IBM personal computer.

Datapoint's M62 and M65 hand-held micros are far away from the office and can perform tasks like order entry, delivery and despatch recording, market research and job costing.

The terminals can be pre-loaded directly from the PC with information such as expected stock levels or research questionnaires using a cable supplied with the package. After use, the user simply plugs into the PC for processing and storage. More on 044282 6634.

## Dentistry

## Record computers

DENTRON, a London company that makes computer systems for dental surgeries, plans to sell later this year a new set of hardware produced under its own design.

The company has sold about 100 systems to British dentists over the past three years. The equipment, based on a Minisirel microcomputer made by a British firm called HML, sells for £7,000 to £25,000 depending on its sophistication and number of terminals.

With the system, a dentist can keep track of patients' records and appointments. The hardware can also store data about technical advances that may help the dentist in treating people's teeth.

The company says it has under development special-purpose electronic hardware based on a computer of its own design. This, says Dentron, will have a better performance than the current system. It will release more details later in the year.

## Energy

## Conservation in China

CHINA is trying to improve its work in energy conservation and has helped the order book of a British company. Kane-May, based in Welwyn Garden City, is supplying £1.25m worth of instrumentation analysers for monitoring the temperature and composition of boilers flue gases and digital infra-red thermometers for measuring heat sources.

China has about 200,000 boilers, mainly coal-fired, in factories, hospitals, hotels and municipal buildings. Most of the orders will be assembled locally.



## How good were the good old days?

It has a nostalgic charm, but the realities of life behind this rustic scene were far less appealing. Harvesting, without the help of machines (1), was back breaking work (2). Even children (3) had to work long hours to help bring in what was left of the crop after pests and plant diseases had done their worst.

Poor monotonous food and sheer exhaustion left their mark (4): most looked old before their time; few could expect to live much beyond their thirties. How different the scene today. Farmers have a powerful ally in science which works for them through the products of chemical companies like Bayer: selective

agrochemicals protect crops against the ravages of nature's predators, ensuring food supplies for still growing populations. Pharmaceutical and nutritional products help keep us fitter, freer from pain, and contribute to an average life expectancy in Europe, of over 70 years. In industry and transport,

engineering plastics and polymers make machinery lighter and more efficient. Dyestuffs and man-made fibres like Dralon add colour and comfort to the home. To pay for progress in these and many other fields, Bayer alone will spend over £450 million this year on research and development—much

of it devoted to safeguarding people and the natural environment. There is, of course, no promise of a golden age, but our efforts will certainly help to keep us at a safe distance from the doubtful pleasures of the good old days. For more information about Bayer, or a colour print of this advertisement, please write to: Dept. A,

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## INTERNATIONAL NEWS

Tom Burns reports on the big boardroom shake-up at Spain's third largest bank

## Non-banker moves in at Hispano Americano

SPAIN'S top drawer bankers are putting a brave face on the events of the past week. They know better than anyone that the appointment of Sr Claudio Boada as the new chairman of Banco Hispano Americano, the country's third largest bank, marks something of a watershed.

Sr Boada's resignation as head of the state emergency agency, the Instituto Nacional de Hidrocarburos, has now been approved by the cabinet. The way is clear for him to be formally invested chairman by the Hispano Americano board in place of Sr Alejandro Albert who resigned at the weekend on the grounds of ill health.

Sr Boada's appointment looks the final act in a drama that started in earnest last December when Sr Albert was forced to take what in Spanish banking circles was the unprecedented step of passing dividends in order to devote Hispano Americano's entire Pta 25bn (\$143m) 1984 trading profit to a rescue operation for its

ailing wholly-owned subsidiary, Banco Urquijo-Union.

There are obvious differences between the outgoing and incoming chairmen. Sr Boada, aged 64, is 15 years senior to Sr Albert and has spent almost all his career in a succession of public sector jobs. His managerial skills have brought him top industrial postings both under Francoism, when he was head of INI, the state holding company, and under the present Socialist administration.

Sr Boada's only direct spell with banking was in the 1970s when he was briefly deputy chairman of the Banco de Madrid, a small institution which was an early casualty of Spain's banking crisis.

Sr Albert, by contrast, had spent 20 years in the Hispano Americano group being groomed for high office. He was usually portrayed as a banker's banker, innovative and popular with foreign bankers in particular.

What is not lost on the Madrid banking community is that a tough outsider has been

brought in to shake up the Banco Hispano Americano. It was not so much the Hispano Americano board which co-opted Sr Boada, but the Bank of Spain, the country's central bank, which virtually imposed him.

Throughout the painful process that has led to Sr Albert's succession the monetary authorities of the Bank of Spain have had the whip hand, marking at every stage the pace of the Hispano Americano crisis.

It emerges that Sr Albert originally sought to retain his presidency of the bank, but to have at least a month and a half off for medical treatment.

This was unacceptable to the Bank of Spain which was anxious to settle the terms for aid to the Hispano Americano. In this respect Sr Albert's resignation, on the grounds of ill health, was forced on him.

Sr Albert had the key support of the Bank of Spain when he was promoted to chairman in 1983. This back-

ing owed much to Sr Albert's willingness to have Hispano Americano absorb the ailing Banco Urquijo. Sr Albert appears to have lost the confidence of the monetary authorities for failing to streamline the Urquijo.

It was the Bank of Spain and notably its Governor, Sr Mariano Rubio who forced on Sr Albert the decision to pass Hispano Americano's dividend.

Sr Rubio demanded the move as a preliminary gesture before embarking on negotiations for more aid to the Hispano group.

The Hispano Americano succession process, played out publicly against a background of banner national headlines, is as irksome to the Spanish banking community as it would be to bankers anywhere. It would have much preferred the Hispano Americano to replace its chairman in the privacy of its own boardroom.

Candidates for the job were suggested on the business pages of the daily press and their suitability for heading the

Hispano Americano was assessed in relation to how well they got on with the Finance Ministry and the Bank of Spain.

Sr Boada will negotiate the rescue of Hispano Americano. Coming in from the outside, he can be expected to make a number of sweeping changes among top management. That will be part of the price that the monetary authorities will demand.

It is suggested that Sr Boada will be prepared to ask for considerably less aid than Sr Albert and his team were seeking. The outgoing chairman wanted at least Pta 35bn. Sr Boada's terms are expected to come closer to Pta 25bn of which most, if not all, will be indirect aid.

If there were any doubts as to who calls the tune in Spanish private banking, they have been dispelled by the Hispano Americano saga. The so-called bi-seven group of the Spanish banks were apparently willing, but powerless to help out their peer.



Sr Claudio Boada, Banco Hispano Americano's new chief who is expected to make top management changes.

## Australian transport groups find new routes to expand

BY LACHLAN DRUMMOND IN SYDNEY

AUSTRALIA'S VAST distances and the task of shifting goods between ports and pockets of production to population centres has spawned three of Australia's leading public companies.

The three, Thomas Nationwide Transport, Brambles Industries and Mayne Nickless, in their past 20 years of vigorous growth have pursued divergent strategies, but with the common thread of physically transporting themselves outside Australia to take advantage of expansion opportunities.

That desire to push offshore reflects the limitations of size on the Australian market (at least in dollar terms) and the desire to mitigate the worst effects of the cyclical downturns

in the local market.

The largest of the Australian transport big three is TNT, with annual revenues of A\$1.75bn, about half drawn from its Australian general and express freight, shipping and diversified businesses.

While this turnover level places it among the leading world freight transport companies, TNT also has a share of almost half in Ansett, the Australian airline group which generates around A\$1bn in annual revenues from its air operations and its extensive surface freight and passenger businesses.

In its latest year to June 30, equity accounting of its share of Ansett's profits was crucial

in allowing TNT to report a virtually steady profit of A\$30.2m.

This is half the level of its peak 1981-82 earnings and reflects a low but improving level of profitability from its recession-ravaged Australian freight businesses, but more directly the losses from its involvement in transatlantic shipping through TransFreight Lines and deficits run up through its third attempt to establish road freight operations in the U.S.

These two areas have generated almost A\$100m of losses in the past two years although improved transatlantic conditions are expected to see TFL turn from around A\$30m of

losses to break even.

The road freight businesses have added a profitable A\$70m or more of revenue through acquisition to take U.S. turnover to A\$250m, but continued losses and further heavy spending to bolster the Pilot and Alltrans businesses is expected in the short to medium term.

The lack of success for this U.S. thrust is almost a mirror to the experience in Europe, where the introduction of express freight services in the UK late in the 1970s was an innovation which saw these operations established as a driving force to group profits.

However, imitation and a maturing of the market has cut back margins, although the

recent acquisition of the European express freight operations established by fellow Australian group, Ipec, has added a new profit dimension and is expected to provide benefits as the two UK and continental systems are integrated.

In Australia some restoration of recession-reduced freight volumes and rates is under way, but with large slabs of manufacturing capacity gone for ever and remaining sub-contract operators emerging strong from recession, competitive pressure in general freight is expected to remain intense on the big operators such as TNT and indeed a permanent erosion in margins is expected to emerge.

These general freight pressures help explain the focus on inter-city express parcels and courier business by TNT and its main rival in this sector, Mayne Nickless, which with the acquisition of half of Ipec's Australian road business has emerged as a clear number two with an estimated 30 per cent of a A\$600m or so market where TNT has a reputed 40 per cent. (TNT's international courier business, Skypak, is number two in the world.)

Meanwhile, Mayne, where the APM paper and packaging group is bidding A\$180m for a controlling stake, is best recognised in Australia for its armoured car and security services operations while in profit terms its data processing services interests are among the

largest of its five main divisions.

In seeking its overseas expansion it has followed a more specialised route, taking on the Loomis and Purohitor armoured car business in North America, as well as associated removals, courier and alarms businesses.

Its UK expansion has also focused on these specialist armoured car and computer services. Overall, Mayne drew profits of A\$25m from A\$860m of revenues for its June year.

The trend to specialisation has been long-established at Brambles, which holds only a minor portion of the interstate transport market, and even then is mainly in refrigerated and bulk liquid haulage.

Its unique achievement, though, has been the development of the large-scale national pallet pool, a concept it is steadily developing in product and geographic range.

Having long established joint operations in the UK for industrial pallets with GKN, it is now steadily pushing through Europe while in Australia it has expanded the concept from wooden pallets to wire cages filled with components and transported from warehouse to production line.

This increased integration with the client's operation is seen as a growing trend, in large part because of the breaking of traditional stockholding patterns induced by recent high interest rates.

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NOTICE IS HEREBY GIVEN that, pursuant to condition 3(b) of the subject notes (the "Notes") the Kingdom of Denmark has elected to redeem on February 28, 1985 all of the outstanding Notes at 100% of their principal amount.

Payment will be made upon presentation and surrender of the Notes, together with all coupons appertaining thereto maturing after the date fixed for redemption, at the specified offices of the Paying Agents as shown on the Notes.

Coupons maturing on February 28, 1985 should be detached and presented for payment in the usual manner. On and after February 28, 1985 interest on the Notes will cease to accrue and unmatured coupons will become void.

The Kingdom of Denmark

January 25, 1985, London

By: Citibank, N.A. (CSSI Dept.), Fiscal Agent CITIBANK

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Manufacturers Hanover Limited

Issue Agent

25th January, 1985

## CORRECTION NOTICE

TRANSVAAL GROUP

Reports for the quarter ended 31 December 1984.

## ERGO

East Rand Gold and Uranium Company Limited

(Incorporated in the Republic of South Africa)

Please note the following corrections to the above quarterly report published on 18th December 1984 in this paper.

- The column heading "Year ended December 1984" should read "Nine months ended December 1984."
- ERGO division 9 months ended December 1984

Operating profit ..... 43 135

Net sundry income/(expenditure) ... 890

43 845

Capital expenditure ..... 33 871

25 January 1985

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VOLVO



## AMERICAN NEWS

## Rockwell finds a willing home for its cash hoard

BY ANDREW BAXTER IN NEW YORK



Mr Robert Anderson, chairman of Rockwell which is now set to take on the world's leaders in factory automation products

"WE ARE delighted with the winner of this horse race. Now management can get back to running the business." That was the reaction of Mr Claude Whitney, chairman of Allen Bradley, after cash-rich Rockwell International had won the bidding contest for the Milwaukee factory automation group.

Rockwell's \$1.65bn cash bid topped a \$1.5bn offer from Siemens, the West German electronics group, and a 10-figure employee buyout proposal from Mr Whitney himself, and other managers. As he gallantly conceded later when announcing the deal: "We are not in the ball game with these gentlemen, but we enjoyed it."

Mr Whitney's delight was no doubt partly due to Rockwell's stated intention to run Allen Bradley as a separate business under its present management. In contrast, Wall Street's reaction was to mark down Rockwell's shares by \$1 1/2 to \$30 1/2—admittedly in a falling market, but reflecting unease about the price paid and some short-term dilution of earnings. At \$1.65bn, Rockwell is paying more than 18 times Allen Bradley's fiscal 1984 net earnings of \$90m, and Mr Robert Anderson, Rockwell's chairman and chief executive, said the group would be writing off significant amounts of goodwill over the next three to four years.

However, as Wall Street looks more closely at the significance of the deal over the next few months, it may well have cause to revise its initial reaction. Some analysts have already expressed relief that Rockwell has at last found a use for a major part of its \$1.3bn cash hoard, and is reducing its dependence on politically uncertain defence contracts.

Pittsburgh-based Rockwell derived 63 per cent of its \$9.3bn sales from government business in the year to September. Recently it has appeared to be placing even more emphasis on military and space work—it produces the B-18 bomber, the space shuttle and parts for the MX missile programme.

In September Mr Anderson was also quoted as saying: "We haven't made any big acquisitions and I doubt that we will. Our view is that we are already

in four strong businesses— aerospace, electronics, vehicle parts and industrial equipment including printing presses, valves and meters.

This stance irritated Wall Street, which noted that B-1 production will have peaked next year, and it is believed to have prompted Mr Willard Rockwell Jr, son of the company's founder, to resign from the board after an association of almost 50 years.

Then in October, the family trusts controlling Allen Bradley, anxious to diversify their holdings, decided to sell all or part of their shares. For the past two months Rockwell has been studying Allen Bradley closely, and last month Mr Anderson disclosed that Rockwell was evaluating several concerns that would complement its existing holdings. Eventually, Rockwell submitted its bid, in a sealed envelope. Allen Bradley's trustees had a fiduciary duty to accept the highest offer, which turned out to be Rockwell's by a short head.

The apparent change of tack reflects a number of factors, including the realisation that here was a once-in-a-lifetime opportunity to become a major force in the world factory automation market, which is estimated to grow five-fold to \$20bn or more by 1990. At a stroke Rockwell will become the biggest U.S. producer of programmable logic controllers, which are used to control machine tools and are a central feature of the automated factory. The group will be competing worldwide across the broad range of factory automation products, with General Electric and Gould of the U.S., Hitachi, Mitsubishi and Fujitsu of Japan, CEC of the UK, Telemechanique of France and Siemens itself.

Rockwell will also be strengthening its position in industrial markets. Over the past decade it has divested businesses with total annual sales of \$1bn and products including television sets, power tools and business aircraft. These businesses, says Mr Paul Nisbet of Prudential-Bache Securities, were a disaster for Rockwell, "but industrial products are something they understand."

At the same time, Rockwell's product mix will change. While the company will bid as hard as ever for military contracts, from which it has made big profits over the past five years, the acquisition will reduce slightly the dominance of this side of the business. Mr Nisbet calculates that military work would have peaked at 66 per cent of revenues in the current year ending September 30, against about 40 per cent five years ago. The Allen Bradley acquisition will reduce this to 60 per cent this year, and take the figure to the low 50s by 1989, says Mr Nisbet.

Finally, that troublesome cash mountain will be cut down to size, as Mr Howard Rubel of Cyrus J. Lawrence remarks: "You buy stocks of manufacturing companies to be in manufacturing, not banking."

While Wall Street chews over these factors, Allen Bradley's managers, and their new owners, will be seeking to make the merger work. The deal has obvious financial benefits for Allen Bradley: even with the depletion of Rockwell's cash, it will be part of a company with the resources necessary to tap the growth potential of a market dominated by financial heavyweights.

The merger also has technological attractions for both sides. Allen Bradley faces an increasing need for more reliable, smaller and cheaper semiconductors, which Rockwell can provide. It can also tap Rockwell's sensor vision technology.

The financial implications are more difficult to assess. Rockwell will take on \$650m in additional debt to finance the takeover, which will raise leverage (debt as a percentage of total capital), from about 10 per cent, at September 30, to

27 per cent. However, Standard and Poor's, the U.S. credit rating agency, has maintained Rockwell's credit ratings, bringing debt down rapidly from this relatively conservative level. As far as the short-term prospects for earnings, the extra financing costs, and the write-down of goodwill, must be weighed against an Allen Bradley business plan that sees sales and net income doubling in five years from \$942m and \$90m respectively in the year ended November.

All in all, Rockwell expects some dilution of earnings per share for two or three years, though most analysts believe the dilution will be small. Rockwell reported net profits of \$496.5m or \$3.25 a share for the year ended September 30, and earnings are expected to rise sharply this year.

However, Mr Nisbet, of Prudential-Bache, believes the short-term dilution will brighten earnings prospects in the longer term. He says debt may well have been paid off by 1987, just when earnings from the B-18 programme—which at its peak will represent about 30 per cent of total sales—are beginning to toll off.

However, while broadly welcoming the Allen Bradley deal, Mr Nisbet believes Rockwell could, and should, make another industrial acquisition of a similar size to reduce further its dependence on the Pentagon. "Whatever happens," Mr Anderson is a man who keeps his options open. Asked whether the Allen Bradley deal would preclude Rockwell from bidding for Hughes Aircraft, the major aerospace and defence group which is likely to come up for sale soon, he said: "It's a very attractive company. We'd be interested in taking a look."

This announcement appears as a matter of record only  
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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

LIKE SO many lemmings, the blindfolded businessmen marched over the edge of the cliff, falling to certain death one after another in single file. Finally, one of the businessmen stops, removes his blindfold and looks forward. On January 25 Apple Computer will announce the Macintosh office. You can look into it, or you can go on with business as usual.

Apple Computer's television commercial, aired during last Sunday's Superbowl American football final, was designed to unveil the company's theme for 1985: the Apple Macintosh as an office computer. It was Apple's way of telling the world that it can provide an alternative to IBM's dominant office computer standards.

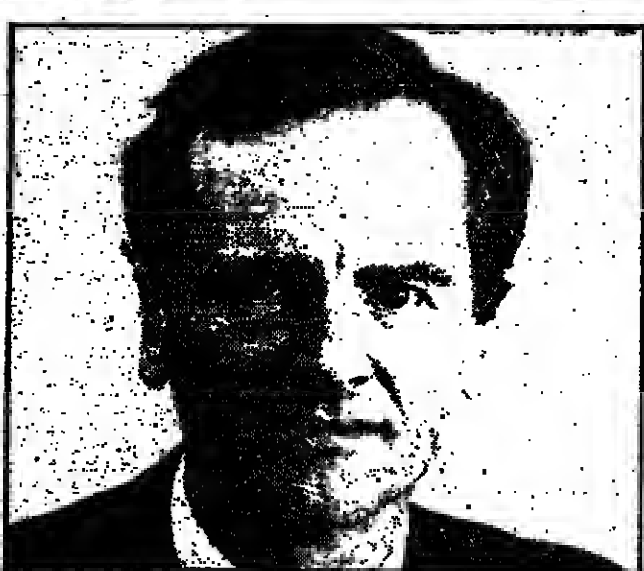
Unfortunately for Apple, the message was not well received. "Reactions to the commercial have been negative," Apple's public relations executives concede, with callers complaining that it was "morbid" and "too violent." They ridiculed the market they were trying to capture, "a company in a computer industry publicist."

Instead of creating controversy and excitement like Apple's Orwellian "1984" ad, "the lemmings" has been roundly dismissed as an expensive mistake. (The commercial cost \$500,000 to make, and Apple is said to have paid ABC television \$1m for one minute of air time.)

It is hardly a good omen for Apple as it begins to unveil a major new push into the office automation market. This year Apple Computer will make its second attempt to penetrate corporate America with its innovative personal computer technology. The company's goal is "to turn Macintosh" its year-old personal computer, into a business machine.

To appeal to potential business buyers, Apple will tame its flamboyant image in favour of a more subdued and mature public posture this year. The company plans to spend less on TV advertising but to increase its print ads in business and specialist publications. The "IBM v Apple Computer" theme will be softened to make room for Apple's new corporate stance of "co-existence" with IBM. "In 1984 we wanted to establish ourselves as the alternative to IBM and we succeeded. Now we have to implement that strategy and sell machines that will work alongside IBM products," explains Barbara Kozlkin, office systems product marketing manager.

"Apple is growing up. There will be more suits around here," quips Mike Murray, Macintosh marketing manager. Humbled by the failure of Lisa, its first "office" computer, Apple will take a more conservative



John Sculley: Apple is after "the forgotten middle manager"

## Apple takes another bite

Louise Kehoe reports on the U.S. computer group's latest strategic plans

approach to the business market this time.

Apple has learnt a lot since it last tried to break into the office market, claims Steve Jobs, Apple chairman and co-founder, who will turn 30 next month. "We've got our act together."

At \$10,000, Lisa was "not affordable enough to become an information appliance," says Jobs. He has also come to recognise the need for third-party software support. "We never even tried to get it (for Lisa)," he points out, instead, Apple developed its own software.

To be successful in the office market Jobs now believes that "you need complete solutions." So Apple will offer a range of computers and peripherals rather than a single computer model.

Another "lesson" learned the hard way by Apple Computer is the need to acknowledge IBM's standards as those of the business market. To that end, Apple plans to offer add-on products that will allow its computers to communicate with IBM's and vice versa.

"This time we will go in through the front door," boasts Murray. In the past, Apple has tried to bypass conservative data processing managers by

appealing—with its advertising and promotion—to individual managers who want computers on their desks. The approach helped Apple to sell an estimated 100,000 Macintosh computers to business users last year. But Apple has yet to be recognised as a major supplier of office computers.

Apple's 1985 strategy for attacking the office market is as innovative as its products. "If the office automation market is as it is traditionally defined, then there are already enough companies in it," states John Sculley, Apple president. Rather than win market share away from the likes of IBM, Apple aims to develop its own market—as it has in the education, home and small business fields.

In the office, Apple's target will be "the forgotten middle manager" who needs an "information appliance," says Sculley. Traditional office automation suppliers have concentrated upon computer experts, while Apple's "easy to use" computers appeal to a different group of potential users, he believes.

Central to Apple's office market push will be "strategic alliances," says Sculley. Apple plans to form close ties with one or two companies that may involve joint marketing and

product development arrangements, he reveals. While Sculley is not ready to name Apple's future partners, the company is currently involved in "serious talks" with Wong Laboratories, a major office automation supplier. With such a partner, Apple would become "a credible rival to IBM," Sculley believes. "We can't do it by ourselves, but neither can anybody else."

Despite its strengths as a consumer marketing company, Apple has yet to demonstrate its abilities in business-to-business selling. Sculley concedes that Apple's managers have little experience of the office automation market. "We are using several outside consultants and developing skills among our sales and marketing teams," he explains. Apple has not hired any new managers with an office automation track record, "but we probably will," says Sculley. "Not all of the pieces are in place yet."

Meanwhile Apple is placing considerable emphasis upon its efforts to find business customers. "Our business plans for 1985 do not depend on any of this," Sculley maintains.

Apple may feel that it has overcome the problems that threatened its survival a year ago, but industry analysts point to some serious new challenges ahead.

Defending and maintaining its position in the home and education markets may become as much of a problem for Apple as breaking into new market sectors as 1985 unfolds.

Over recent months several new factors have risen in the U.S. personal computer market. ● IBM has overcome its initial marketing and technical problem with PC Jr, its home computer, to establish the low cost machine as a serious challenger to Apple's IIE and IIC in the retail market.

● IBM is also making inroads into the education market with sales to schools and colleges. ● Commodore is aiming to challenge the Apple II line with upgrades of its top selling Commodore 64.

● Atari has promised to launch a \$700 computer that, it says, will boast many of the features of Apple's Macintosh at a fraction of the price.

Apple has no significant enhancements of the Apple II product line planned for this year, despite growing competition and what Sculley himself describes as "a fragile and very competitive marketplace." There is a real danger that Apple could, in its efforts to penetrate the office market, lose the momentum that it has built up over the past year. As Apple computer presents its new, "mature" image to business it must beware of the danger of appearing old-fashioned and dull to consumers.

## Hype comes to an end

APPLE's new style was reflected at its annual stockholder's meeting earlier this week. Gone was the blaring pop music and the crazed yelling of Apple-employee stockholders at the Macintosh launch last year.

Instead a more restrained and businesslike atmosphere was created for the company that needs to prove that it is serious about selling to big business.

Launching the "Macintosh Office" John Sculley, Apple's president, and Steve Jobs, the chairman, built up the company's Macintosh product line with: a personal computer network; a high quality printer; promises of a "file server" data storage system to come in mid-year; a new name for the two-year-old "Lisa" computer; and price reductions on current personal computers.

For industry analysts, however, the introductions did more to emphasise Apple's lack of new computer products than to impress. The personal computer network was first announced a year ago. Its chief advantage is its low cost, at \$50 per connection. It is not a high performance system but rather an interim solution to the industry's confusion over networking technology. "If an industry standard emerges, then at \$50 per node the user can afford to throw ours away," says Mike Murray, the marketing manager.

The Apple Laserwriter printer is a "strategic product," says Sculley. The high quality printer heightens Apple's technological advantages in graphics and ease of use into printing. "IBM and AT & T are not well positioned" in this field, he notes. The \$7,000 printer is based almost entirely on technology developed outside Apple, by Cannon — which makes the print mechanism — and by Adobe Systems, a small California software company.

The Apple file server, an essential piece of office equipment, is either late or is being delayed to appease third party companies that announced similar products to work with the Macintosh this week, say industry analysts.

To fill out its "office" product line, Apple has renamed the Lisa "Macintosh XL," and drastically reduced its price.

## Tinker, tailor . . . spy

Christopher Lorenz reports on a suggestion that the spy psyche has its parallels in the corporate world

JOHN LE CARRE, the spy novelist, has many gifts, but no one has ever suspected him of being a closet expert on managers.

Yet that, according to an American academic, is one way of interpreting the George Smiley novels and the more recent "Little Drummer Girl," with its tale of love and betrayal in the Arab-Israeli conflict.

The source of this revelation is Douglas Wallace, director of the laboriously titled Center for Ethics, Responsibilities and Values at the College of St. Catherine in St. Paul, Minnesota.

In a stimulating article published in a prime position in the latest issue of the Harvard Business Review — but one which ultimately ducks key moral issues — Wallace claims that Le Carre's works provide "at least a dozen major insights" into "the fundamental capacities and tragic flaws that are built into all of us," including those who work in business organisations.

Among these insights is the "unbridgeable distance" between individuals. "At best we can know our own experience, feelings, thoughts, dilemmas, but we cannot completely identify with or live inside the perceptions, reactions or feelings of another human being."

Then there is the way that admirable actions and intentions, such as bringing someone to justice, often lead to tragic consequences.

The secret service organisations in Le Carre's novels serve as "metaphors" for all complex organisations, Wallace maintains, in their tendency to elevate missions and tasks over individual needs and values. Le Carre's books, says Wallace, provide an unusual perspective

on the familiar temptation "to invest our abstract organisational dreams and goals with values that are not worthy of our ultimate commitment, and that inevitably destroy our real human relationships." Whether the goal is making a profit, bringing criminals to justice, or anything else, "we tend to emphasise the objectives . . . at the expense of preserving individual integrity."

Managers relate "only to parts of people," claims Wallace. "If they are hurt in the process, it's unfortunate. We try not to let it happen but we have to expect it every now and then."

Faced with this "dark side of organisations," how can individual managers act with greater responsibility towards their fellow human beings? Wallace offers no comprehensive solution, only suggests of advice gleaned from Le Carre, such as "performing an act of love and loyalty even if it means betraying a cause, a goal, or an institution."

Specifically, in terms of business organisations, "those who bear the responsibility of managing can try to prevent the gap between individual and organisational needs from reaching damaging proportions." In this difficult balancing act, managers should make use of what Le Carre calls "our Lord's greatest gift" — namely doubt.

"Le Carre invites us to consider the potential effects when we push to accomplish the things we consider so important," Wallace comments. Allowing ourselves to feel doubt helps remind us of our inevitably mixed motives, and of the effects of our actions. This, in turn, "can reduce our insensitivity and arrogance."

At this crucial point, Wallace's specific advice is dis-

appointing, scant, and could even be interpreted as mere conscience-salving after the doing of dirty deeds. Just as Le Carre's characters George Smiley and Peter Guillam keep vigil as they wait for Karla, the Russian master spy who is about to defect, Wallace advises responsible managers to "seek out and stand by those inside or outside the institution who have been hurt by (it)," especially if they have been partly responsible for what has happened, as are Smiley and Guillam.

This can be accomplished through small acts that go unrecognised by others, such as "stopping by a person's office who is being dismissed and whom we have not particularly liked, and conveying an authentic sense of caring." Or the conscience-stricken manager can make him or herself "available to a person whose marriage is on the rocks, in part because of the extreme demands of a do-or-die project for the company."

Like Smiley and Guillam, we should resist the temptation to wonder whether this sort of behaviour will do any good, argues Wallace. It should be done for its own sake, and that of the victim. He concludes that Le Carre invites us to understand "what redemption for the human situation lies in those moments of our lives when we keep vigil with those whom we 'betray' but care for."

To the far more challenging question of whether and how managers can avoid such betrayals occurring in the first place, by bridging the needs of the organisation and its employees, Wallace tellingly offers no reply.

\*HBR, Jan-Feb 85, Reprint No. 85116. From reprint service, Harvard Business Review, Boston, Mass 02163, USA.

## Management abstracts

Keeping track of office assets via computer. M. F. Meschke in Management Accounting (U.S.), July 1984 (4 pages).

Describes how Pillsbury (four manufacturers)—when moving into new offices—set up data entry for a computerised system for accepting, locating and then depreciating nearly one hundred truckloads of about 150,000 pieces of office equipment, furniture and work-station components.

Change strategies and the use of organisation development consultants. L. Lovelady in Leadership and Organization Development Journal (UK), Vol. 3 No 2 and Vol. 5 No 4 (8 pages).

Reviews the literature on strategic change and examines the main strategies for change currently in use, such as OD; compares their characteristics and speed of achievement, finding wide differences between the literature and practice. Looks particularly at change through OD, and the role of the OD consultant as change facilitator.

surveys consultants' own perceptions of their task, how they work, and the intervention techniques they use. Discusses aspects of OD management, especially in large organisations. Examines the overall effectiveness of OD in achieving change.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order from Anbar, PO Box 23, Wembley HA 9 8D).

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## Balanced U.S. slowdown

THE EVIDENCE is growing that, despite the tut-tutting of European finance ministers, the U.S. is achieving a remarkably well-balanced slowdown from the rapid growth of 1984, and may well come not too far short of the administration growth target — widely regarded as pie-in-the-sky — of 4 per cent annual real growth. There are some danger signals still showing — rising import penetration, an over-provided commercial building market, banking problems in the energy and real estate sectors, and near record levels of consumer debt in relation to income. These, however, look more like blemishes than fatal flaws.

This reading must remain a tentative one for some time yet. The annualised monthly and quarterly statistics which dominate the U.S. news are showy, but rather uninformative. They are particularly vulnerable to the inventory cycle; over-stocking of imported goods led to an apparent collapse of imports towards the end of last year, while the car boom which is at the heart of the domestic recovery in consumer goods apparently faltered because inventories were too low to meet demand. However, the relatively smooth growth of employment, consumer incomes and final sales are reliable facts. If some of the more fanciful forms of consumer spending and investment are now inhibited by existing debt burdens and by the possibility of radical tax reform, that is hopeful for the long run.

For America's trading partners, most analysts of U.S. performance are concerned with three issues: what is likely to happen to the U.S. demand for imports, to interest rates and to the dollar? The answers seem at the moment highly unstable. U.S. import demand is slowing down — as well as swinging towards the Pacific; yet the dollar remains strong.

The slowdown in U.S. demand for imports would suggest some balancing shift in demand management in other countries; yet the industrialised nations, governments, faced with persistently weak exchange rates, seem to be going in for another bout of belt-tightening. On this logic, their demand at the recent Group of Five meeting was that the U.S. should do the belt-

tightening while Europe continues its quest for recovery makes sense. Before commenting on this logic, it is worth looking at a little more closely at the U.S. outlook for the international importance of the proposal for tax reform, and of an apparent but entirely unannounced shift in U.S. monetary policy, has not attracted the attention they deserve. The great importance of any tax reform on the lines proposed in the U.S. Treasury study is that it would reduce the tax-shelter for borrowers, and so reduce the rates U.S. borrowers would be willing to pay, while increasing the real return to savers.

According to a study to be presented at a Brookings Institution seminar next week, the full U.S. Treasury package would reduce U.S. interest rates by three full points.

## Relaxation

Since debt service is so large an item in the U.S. budget, these tax reforms would reduce the deficit by some \$75bn even on a revenue-neutral basis. If the growth of other Federal outlays can be held below the nominal growth rate, the deficit problem would soon be perceived as much more manageable, with a further effect on long-term rates. Finally, the more accommodating stance implied by recent speeches from Mr Paul Volcker is profoundly important. It seems to imply not only a recognition that there is nothing to be said for inhibiting sustainable, non-inflationary growth, but some willingness to accommodate the international demand for dollar balances. In other words, monetary relaxation in the U.S. has an exchange rate dimension.

But will the dollar weaken if the U.S. remains the one Western economy with a consistently inspiring performance? Many investors doubt it, and the sustained strength of the dollar while U.S. rates have fallen underlines the point. Perhaps European governments could learn something from the U.S. instead of simply berating it to be less obsessed with interest rates, and even manageable (though not ballooning) performance, end more with performance.

## Blank tapes: the case for a levy

THE record industry estimates that about 24m adults in the UK infringe the copyrights of artists, composers and record producers by recording music in the home on blank tape or cassette. The recording of films and television programmes constitutes a further and growing breach of copyright. A government Green Paper due out soon is expected to unveil some scheme, however rudimentary, for compensating copyright holders. This would represent a surprising change of heart: in 1981 the Government concluded that while the widespread abuse of copyright law was regrettable, there was no practical solution.

When a law is habitually broken by millions of adults every year, it is tempting to argue that it must be a bad law which ought to be amended. A "fair dealing" provision could be inserted in the 1956 Copyright Act which would legalise the home recording of audio or video output. Such a laissez faire approach, in the face of modern technology which makes an old law impossible to police, is appealing if only because it is so much simpler than the other options.

However, such an approach ignores the substantial transfer of income which is occurring from copyright holders to the tape manufacturing industry and the general public. It may be impossible to stop illicit home recording but it is not impossible to compensate composers and record producers for breach of copyright and to choose not to do so to accept a very rough measure of justice. The most obvious solution, long urged by the record industry, would be a levy on blank tape and recording equipment. The proceeds would be divided among copyright holders.

Such a levy or "royalty" would inevitably involve an element of rough justice. The real issue is whether a levy would be more or less fair than the present disregard of copyright law. In audio recording, the case for a levy is strong. It would be wrong to assume that all the blank tape bought in the UK is bought with the intention of infringing copyright, but much of it must be. The loss of record sales is hard to gauge but the record industry's estimate that another 64m LPs might be bought but for home

recording does not look wildly unrealistic. The case for a levy on video tape is less strong. Much of the recording is merely to "time shift" programmes for much more convenient viewing and there is not yet large-scale copying of pre-recorded videos.

Once the principle of a levy is accepted, vexing problems begin to multiply. How big should it be? The estimate of the lost income of copyright holders is necessarily vague and a heavy levy would probably be politically infeasible. The figure of 1p per minute on any quality of blank tape which has been suggested (on the assumption that recording equipment would escape the levy) sounds rather stiff: it would double the cost of a cheap cassette. Should the levy be collected at source from importers and manufacturers of tape or at the retail level where it might be easier to arrange refunds for special purchasers such as the blind? And could the Government really allow organisations such as the Performing Rights Society to act as unofficial tax collectors?

## Royalties

Most controversy is likely to arise over the division of the proceeds of the levy. The record companies will argue it should be split according to the division of royalties on the sale of a record. This would conveniently give them the lion's share of the cash, and would not please those supporters of a levy whose real aim is to help composers and songwriters. The Government would have to agree a formula for the division of the spoils between record companies, broadcasting organisations and original artists. Representatives of these groups would then have to agree a further breakdown among individual copyright holders.

Opponents of a levy, which include the tape manufacturers and consumer organisations, will capitalise on the undeniable fact of achieving perfect compensation for the breach of copyright represented by home recording. But this is no argument for doing nothing: rough justice is better than no justice. It would be encouraging indeed if, after consultation, the Government was to implement a microeconomic reform which would bring it no revenue but which would redistribute income back to copyright holders who are inadequately protected by the law.

MINISTERS from the Organisation of Petroleum Exporting Countries gathered this weekend in Geneva in a mood of growing desperation. It could be the organisation's last chance to prove it can administer if not dictate prices in the face of a chronic supply surplus and weak demand.

All this week, currency and stock markets have been alive with rumours that Opec will finally concede the inevitable, a cut in the official Saudi light market price, which has been rigid against a falling spot market since the spring of 1983.

But Opec ministers know full well that the main task facing them is not to set a particular reference price, nor to agree a long haggled-over compromise on price differentials between the various Opec crudes, but to re-assess the organisation's fundamental ability to defend any price structure by policing both price and output among Opec members.

Opec must persuade its members to stick to the emergency production ceiling of 16m barrels a day set at the end of October, while reconstructing an official price structure which has been undermined by discounts and barrier deals. Less than a third of Opec exports are now sold at official prices.

Failure could mean the free fall in oil prices which some economists believe could trigger a crisis and serious economic dislocation. But Opec knows that prominent among the casualties of a price collapse would be several of its own members and other heavily indebted non-Opec oil producers, such as Mexico. With Opec output running at little more than half the rate achieved in the halcyon days of 1973, even Opec's richer members have been forced to scale back development plans and increase borrowing. Collective revenues have fallen from a peak of \$275bn in 1980 to around \$150bn last year.

According to a recent estimate by Salomon Brothers, the New York investment house, the eight "Poor Opec" countries (all except the four Gulf producers and Libya) started 1981 with an accumulated current account surplus of \$91bn, but this had been wiped out by the end of 1984.

Salomon Brothers estimates that the group, in order to balance its current account in 1985 would have to contain imports to a level 36 per cent below the 1982 peak — drop from \$280 per capita to \$170 per capita. This indication of belt-tightening is thrown into relief by the comparable figures for "Rich Opec", which shows that the corresponding fall in per capita imports would be from \$4,300 to \$3,100.

Figures such as these explain why leading poor Opec countries, like Nigeria, exhibit considerable frustration and despairing threats from Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, and Sheikh Ali Khalifa al Sabah, his Kuwaiti counterpart, about a price war with the North Sea oil producers must be judged. It is true that with production costs of less than one dollar a barrel, they could easily slash their prices to \$15 a barrel, whilst doubling output to compensate for the fall. This would have the effect of making most UK and Norwegian operations unprofitable.

The rationale behind such a drastic plan in so far as it has been explained, is that it might be a necessary step towards co-operating with Opec in controlling production and maintaining a North Sea price structure which is quietly slipping towards a spot market-related mechanism.

## Treasury's tax base?

Leading tax lawyer, John Avery Jones, has been asked to lead the original blueprint for Nigel Lawson's tax reforms. It comprises two pages of the 1978 report of the Meade Committee.

Avery Jones, aged 44, shortly to become senior partner of solicitors, Speechly Bircham, was a member of the committee which recommended moving to an expenditure tax. By the report did include some possible approaches to an income-based tax — and it looks as if the Chancellor of the Exchequer has quietly adopted that course.

Lawson has already introduced three of the committee's suggestions, including the abolition of tax relief on life insurance premiums.

For political reasons, the Chancellor may jib at the committee's proposals for tackling owner-occupiers. But Avery Jones, joint editor of the British Tax Review and the only solicitor to have presided over the Institute of Taxation, believes we may soon see action on the three remaining points.

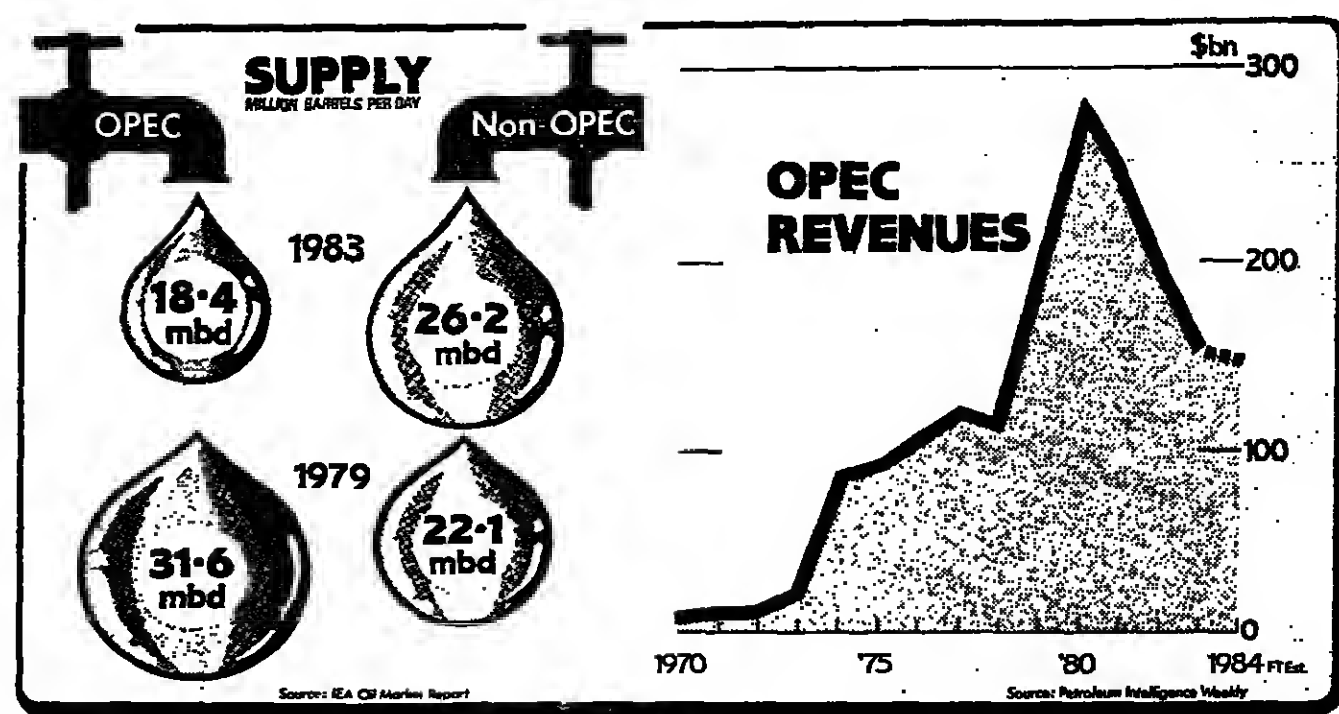


"Knock, knock, who's there?"

## CRISIS IN THE OIL MARKET

## Opec looks over the edge

By Richard Johns



The group already has debts in excess of \$100bn.

The only comfort for Opec in this situation is the continued strength of the dollar, which has largely offset the fall in the unit price of oil to Opec countries since 1983. Broadly speaking, Opec's income is in dollars, but its expenditure — its imports — are almost 90 per cent payable in other currencies.

As the Salomon Brothers report puts it: "Although the underlying data are imperfect, the trend in poor Opec's finances is clear and unmistakable. A major test of the cartel's strength is approaching, but the test will be a financial one, rather than one related to oil production. The weak links in the chain are already close to breaking."

It is in the full knowledge of these weak links that Opec has to broach difficult decisions in the next four days. Sub-committees will examine the two key questions: the policing of output and price differentials. In advance of a full meeting of ministers on Monday.

It also the background against which the increasingly frustrated and despairing threats from Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, and Sheikh Ali Khalifa al Sabah, his Kuwaiti counterpart, about a price war with the North Sea oil producers must be judged. It is true that with production costs of less than one dollar a barrel, they could easily slash their prices to \$15 a barrel, whilst doubling output to compensate for the fall. This would have the effect of making most UK and Norwegian operations unprofitable.

The rationale behind such a drastic plan in so far as it has been explained, is that it might be a necessary step towards co-operating with Opec in controlling production and maintaining a North Sea price structure which is quietly slipping towards a spot market-related mechanism.

Another possible explanation is that the Saudis end Kuwaitis, having seen demand for oil in Europe stagnate and only modest growth elsewhere in the developed world, are now prepared to sanction a gentle fall in oil prices in the hope that this will raise demand. This was very much the Saudi strategy between 1979 and 1981, when Saudi Arabia set lower official prices than the rest of Opec.

But these days, Saudi Arabia cannot afford such a relaxed view. In its last published accounts, at the end of 1983, Saudi Arabia showed foreign assets amounting to the equivalent of \$132bn. Following with the budget, the total is now estimated at \$110bn.

A significant proportion of these reserves, however — perhaps as much as \$40bn — is on loan to other countries, notably Iraq, and to international organisations. That cash cannot be mobilised at short notice.

Certainly in the eyes of the Saudis' cautious ruling hierarchy these resources — equivalent to about one year's expenditure — are viewed as inadequate.

Opec tends to unite around a view that any price cut would deprive members of revenue without any offsetting benefit from increased sales.

A fall in price to \$25 a barrel would mean a collective loss

for the 13 Opec members of \$15bn, aggravating and prolonging members' deficits. They have, in a sense, no choice but to fight to maintain the present price structure. But maintaining that structure, it has become increasingly clear, will mean compromises on differentials and a renewal of discipline in defence of the revised arrangements. These are the vital loose ends which must be tied up in Geneva.

The trouble with Opec's existing differentials structure is its rigidity — the current arrangements involve a 50-cent spread from Arab Heavy at \$26.50 per barrel to the light African crudes at \$30.50. This pattern is well out of line with market realities, since modern refinery technology, coupled with the flexibility in the refining industry induced by chronic overcapacity, has meant the real market value of heavy crudes is much closer to that of light crude than official prices suggest. In the spot market this week, Arab Heavy has been trading at only \$1 below Arab Light.

At the last Opec ministerial meeting, just after Christmas, agreement was almost reached on a new differentials formula suggested by Kuwait. It would have involved a "temporary discount" of 50 cents off Arab Light, whose official price was therefore reduced satisfactorily. Saudi Arabia was prepared to go

along with this plan and Sheikh Yamani even suggested Opec might switch to Arab Heavy as its reference crude. But Algeria, Iran and Libya, all producers of light crudes, opposed a move which they saw as capitulation to the heavy crude producers.

These issues were taken up again this week in Riyadh by a committee of experts and it was supposedly from this meeting that agreement on a \$2.50 cut in the price of light crudes emanated — the news which startled the foreign exchanges and shook markets midway through the week. In reality, the meeting ended without any kind of decision, although Sheikh Yamani did emerge to say that progress was being made. The Geneva session will prove whether this was only brave talk, of the kind Sheikh Yamani has been obliged to offer so many times in the past.

The other matter high on the Geneva agenda is the radical plan agreed at Christmas for the policing of output. This involves each state permitting international auditors to examine sensitive documents and an incursion into national sovereignty of Opec members not previously countenanced.

For all the scorn which has been heaped upon the policing arrangements, however, there is some evidence that Opec production has been sharply restrained so far this month. Some estimates put the figure as low as 14m b/d, although the consensus view would be in the 15m to 16m b/d range.

But as it shuffles towards an accord on differentials and policing, Opec's leaders are well aware of the fragility of any deal. Ecuador has already given notice that, for the time being, it is ignoring its quota of 185,000 b/d and intends to produce at 250,000 b/d. To achieve that it has been offering a discount of \$1.20 a barrel and extended credit.

The biggest irony for Opec is the Shikhs descend on Geneva is that the first blizzards of winter have perked up the spot market to the point where they could be tempted to argue yet again for deferring the hard decisions.

## OPEC CURRENT ACCOUNT PROJECTIONS

	1982-86 (\$bn)	1982	1983	1984†	1985†	1986†
Exports	218	180	180	184	186	186
Imports	166	144	143	139	146	146
Trade balance	52	36	47	45	40	40
Less services, etc	-76	-62	-65	-66	-68	-68
Current account deficit	23	26	18	21	28	28
Cumulative deficit	23	49	67	88	116	116

† Estimates. Sources: OPEC, IMF and Salomon Brothers.

## Men and Matters

These are the well-trailed taxation of pension funds, a capital gains tax on government securities, and limited relief on national savings.

Avery Jones still holds that a move to expenditure taxes would be better — but if the Chancellor is following our alternative, it would make a coherent package of reforms, he says.

## Foster's byte

High marks to Britain's ACT for the cheezy advertisement in the ebullient personal computer market since that memorable day two years ago when Apple Computer "welcomed" IBM into the market.

Choosing its timing with precision — the day of Apple's annual stockholders' meeting this week — ACT's newly-formed American arm called Apricot Inc has run a two-page newspaper spread with the following announcement: "The day we upset the Apple cart. Introducing Apricot."

It is the first of a no-holds-barred series in which Apricot will try to bite into the U.S. Apple market. Future ads will show the apple shrinking and a juicy apricot beside it growing until, I am told, the apricot will eat the apple.

Roger Foster, ACT's group managing director, who is in California to promote the first sales drive for the Scottish-built Apricot computer range in the U.S. market, says Apricot is "targeting potential Apple customers."

"IBM buyers," he says, "have already made up their minds and we are saying that if you have an open mind and are considering an Apple, then look at an Apricot."

The campaign will cost Apricot Inc some \$7m over the next 90 days.

The last word goes to John Scullion, Apple president: "I sure hope they are around next year to run it again. We love that kind of free publicity."

## Local hero

The new man in charge of local government and finance at the hard-pressed Department of Environment is to be Ken Ender, a civil servant who got a mention in despatches for helping to mop up the Clay Cross affair.

Currently deputy secretary in charge of establishments — the section which manages the rest of the sprawling department — Ennals takes over from Terry Heiser, who next month becomes the DoE's permanent secretary.

Ennals's new job will not, therefore, mean a step up in rank. But given the Government's plans for rate-capping and rate reform it puts him in a good position for promotion to second permanent secretary when Sir Peter Harrop, the present incumbent, retires in a year or so.

Ennals, say his colleagues, is agreeable, reliable and capable. But it is thought that his appointment will enable Heiser to lead an occasional hand to the local government finance tiller. The forecast for the course on which the Government is set remains stormy.

## Brussels brick

Trouble at 1 mill. Leaders of Greater Manchester's Tameside council were a bit bemused and annoyed on a visit to Brussels yesterday to discover that £100,000 from EEC special funds had been allocated for the con-

version back home of Duckinfield's Queen cotton mill into a workshops centre.

Sensible project, you might think. The trouble is that the mill no longer exists, having been demolished last October to make way for a new supermarket. What is more, the council has not yet found out who, if anybody, applied for the money.

"Someone in Brussels seems to have dropped a brick or to be more specific, a mill-full of bricks," says Andrew Robinson, the council's spokesman.

RSJ Engineering, owner of what little is left of the five-storey building denies it applied for a grant. Councillors are now wondering whether the Queen mill has been confused with the Cedar mill in Ashton-under-Lyne, for which the council has applied for an EEC conversion grant.

"In an area crying out for resources like Tameside, it's a bit of a sick joke to allocate money to a pile of rubble," Robinson says.

## Buzz words

Admittedly the chartists have something to shout about. Their products are mostly at impressive peaks or dismal troughs depending upon the subject under scrutiny. Horizontal lines seem to be quite out of fashion.

Which perhaps helps explain the exuberance of Quilter Goodson, the stockbrokers, where Sir Nicholas Goodson, chairman of the stock exchange, is a partner.

"Wow!" is the headline of a chart showing the capital international world index in their new circular.

"Why?" is the heading on a chart of U.S. Treasury Bonds.

"Manic!" is writ large above the QG chart of the UK equity market.

And "Ugh!" sums up the brokers' view of the sterling index chart as it drifts towards the bottom of the page.

Is this a style we shall have to become accustomed to?

Observer

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THE TELEVISIONING of the House of Lords on Wednesday was a huge success. There have not been across anyone who watched it, either live or the later extracts on the news, who was not fascinated by it and looking forward to more.

Admittedly, you can't have that every day. The Earl of Stockton up to all the old entertainers. The Earl of Stockton, speaking effectively for 20 minutes without notes and slandering Labour and Tories alike, the Baroness Ewart-Riggs attacking sexual discrimination. The House of Lords does not discuss the state of the nation in every debate; nor is it always so well attended. But as an experiment it worked.

Technically there were a few hitches: the odd peer wrongly described by the commentators, and occasionally someone walked across the cameras. But they were very minor and it was, after all, the first night.

The argument that television would distract from the seriousness of it all, highly dubious in the first place, has been demolished. Their Lordships did not play to the camera and the camera crews reported it straight. What is more, the recording helped to put the fun back into politics. Politics would be a dull art if it were all grave, reverential, and more or less behind closed doors. It has been opened up.

It is a cliché, but it is also true, that the televising of Parliament is an extension of democracy. It should rank along with the widening of the franchise as a major political reform. For what it does is to allow Parliament to catch up with the electronic revolution. What could be more democratic than to let the electorate see their representatives in their homes? To argue otherwise suggests that there is something to hide.

It follows from that that the House of Commons should copy the Lords' example and permit their representatives to be televised as soon as possible. The result would be a greater understanding between the governing and the governed, between the elected and the electing. Fewer people would be misled by the alleged antics of Mr Dennis Skinner, Mr Eric Heffer or the Tory Right if they could see them performing. They would note that they are simply trying to get their share of the more or less within the bounds of Parliamentary convention. It is sound broadcasting that creates the distortion. Too often it is just a cacophony, whereas the pictures would show otherwise. They might also have a civilising influence on the MPs themselves.

Of course, it is all theatrical. But then politics always was and

## Politics Today

# The peer show that will run and run

By Malcolm Rutherford



Lord Shovel (right) pictured in the House of Lords with Lord Paget of Northampton

would be the poorer if it were not. It is about communicating with people, and for that you need the rhetoric and all the tricks of the trade. No one is going to get by for long merely by proclaiming a philosophical treatise, however brilliant. It needs the flourish and the appeals to the imagination and sense of humour. The test for those watching is to distinguish between the style and the substance.

That is where Wednesday's debate in the Lords comes in as a useful illustration. The Earl of Stockton was the star, as he was bound to be. He has everything going for him: the great age, the stoop, the speaking without notes, the memories — "Keynes, one of my oldest and dearest friends," the historical sweep, if not the depth, and not least Stockton the place — the unemployment rate when he first went there to stand for Parliament 63 years ago was 29 per cent, now it is 28 per cent. The style was marvellous, but it was very hard to find much substance.

Indeed, all that the former Harold Macmillan seemed to be saying was that the Government should borrow more money, and

invest more in words like "compassion," "unity" and even "national government." There was not the slightest acknowledgement that Britain's relative economic decline was going on apace under his own administration. It was, above all, when did nothing about the reform of industrial relations at a time when it might have been possible. What he indulged in was a sentimental journey. But he got away with it.

The present administration's problem is the opposite: it has some substance, but very little style, though the Earl of Gower both looked and sounded good on television. (Lord Boyd-Carpenter, a former Tory Minister with a claim to have been one of the first to have recognised Mrs Thatcher's potential, was also impressive in defending the Government's approach outright.)

Sometimes, this absence of style could begin to tell. For the Lords debate was indicative of something else. There is now quite a substantial body of opinion in the country, reflected in the Lords, which is beginning to build up counter-arguments. The Government's saving grace is that the opposition is

not united and is unlikely to be so in the foreseeable future. But it is going to have to defend itself more skilfully than it has done in the past. It is no use just producing statistics about the level of investment or the growth rate and the host of micro-measures taken to alleviate unemployment. Too many people have become sceptical: the Churches, for example.

The counter-argument goes roughly like this. The Thatcher experiment has had nearly six years in which to work. In fact, unemployment has continued to rise. The exchange rate looks horrendous. There may be a case for increasing public spending in the budget rather than cutting taxes, the infrastructure being do something about the better off and those in work do something to help the poor and the unemployed.

The argument is not necessarily logical. Some of its proponents would have liked the pound to depreciate still further and the claims for public investment are not always plainly identifiable. It would be much better if people could come up with specific projects. But it is possible to

see this kind of argument politically attractive with time. So what is the Government doing about it? As the publication of the Public Expenditure White Paper this week shows, it is not being entirely successful even by its own lights. Public spending is expected to be 41 per cent of gross domestic product in 1985-86, still higher than when the Government took office. Indeed there is a marked tendency for it to be seen to be missing about with prescription charges, overseas aid, the defence budget and all the devices which have become so familiar over the years.

No doubt the lesson from this is that it is exceedingly difficult to control public expenditure. Yet the Government gets the worst of both worlds. It is unable to claim credit for the amount that it is spending on welfare and so on. Nor can it claim to have introduced radical reforms. For instance, defence spending is being pared in an exercise similar to one of those periodic defence reviews. What has happened to defence strategy? We hear very little about, though the conventional wisdom always used to be that if you cut much more one of Britain's defence

roles would have to be abandoned.

There are other areas of obscurity. It is frequently said by Mrs Thatcher's supporters that there is no need for a transport policy or an energy policy. These things look after themselves and anyway expenditure on the roads and railways is being maintained: it is just that much of it appears on the current rather than the capital side.

Yet there are priorities here. One of the reasons why the miners' strike now seems to be coming to an end is that the country had enough energy resources to withstand it: there have been no power cuts to speak of. Another reason is that it proved possible to shift the transport of coal from the railways to the roads: the rail unions supported the strike quite solidly.

But the end of the strike raises almost as many questions as there were at the start. (If Mr Arthur Scargill, the miners' leader, had accepted the terms offered last summer, the Government would have achieved almost nothing.) Is the average price of coal to come down with the closure of the least economic pits? Will the importing of coal continue to be encouraged as a spur to competition? Will the Government go on maximising oil production if coal becomes readily and cheaply available? None of the answers are very clear.

Another set of questions relates to the transfer to the roads. It is now quite likely that there will be a crisis at British Rail, possibly accompanied by industrial action, for BR has lost a great deal of revenue and there must be a strong case for saying that it has excess capacity. There could be another war of attrition, like the miners' strike, as the Government tries to come to terms with the losses.

There is an environmental question, too. If the coal continues to be moved by road, the condition of the roads will deteriorate. Nor is the sight and sound of so many heavy lorries very pleasant.

It is on issues like these that those who talk about the infrastructure have a point. Of course, resources are limited and the Government is doing its utmost to control public spending. But there are choices: more and better roads and fewer railways or the other way round, more use of coal and greater conservation of oil?

Mrs Thatcher's administration is distinctly weak at providing any kind of blue print for what it expects the country to look like in the year 2000. Until it does, the argument about the infrastructure will go on. It will look even better on television.

## Lombard

# Economics of the Falklands

By Robert Graham

THE TIME has come for a thorough independent study of the economic prospects of the Falkland Islands. Mrs Thatcher's support for self-determination for the 1800 islanders and the impending approval for a new constitution makes such a study imperative. The study should embrace the other dependencies in the South Atlantic—South Georgia and the South Sandwich Islands—and several claimed territory in the Antarctic.

The first and only serious modern study of the Falklands was that prepared by Lord Shackleton in 1976 which was dusted off and relaunched as the framework for the development in the wake of the 1982 conflict. This revised version was quickly prepared for political expediency. Since then the House of Commons Foreign Affairs Committee has touched on the issue several times in hearings but has become hijacked by investigation the Belgrano affair.

Meanwhile journalistic effort devoted to this aspect has been limited. This is largely because the journey to Port Stanley is such a saga of discomfort and cost (over £2,000 the round trip, courtesy of the Ministry of Defence). Accommodation difficulties and sea sickness have made the journey a nightmare. Several force visits to be short.

Robert Fox, who distinguished himself as a BBC reporter during the conflict, last year had the opportunity to visit the whole region and has now given the space to record his views and findings. No one could accuse him of being unsympathetic to the islanders or of deliberately setting out to undermine the credibility of British policy. Yet it is quite clear that things on the ground are different from the simplistic opinions voiced in Whitehall, and what has been achieved in the civilian sphere so far is not impressive. Fox himself concludes a review of current Falklands policy is essential.

He lists six main areas for review: the policy of land reform, the structure of the Falklands Islands Development

Corporation and the adequacy of its funding; immigration and housing policy; the public administration of the islands; civilian-military relations (the imported garrison outnumbering the local inhabitants); and topics such as education and health not covered by the Shackleton Report.

Fox attaches great significance to the issue of land "Without a thriving farming community, the garrison and their dependents form a hollow ring of hardware and sentinels." Shackleton too saw this as the key to halting the decline in population; he proposed the splitting up of the large estates owned by overseas companies and absentee landlords. This has been slow to materialise. Since the conflict, the land purchases programme has involved loans for only one and a half estates. The new smallholders, Fox notes, are dangerously under capitalised, mortgaged to the hilt and risk ruin if the wool price dips.

The kind of people interested in Falklands farming generally lack the necessary capital. Thus land is going to be settled only if there are very generous financial incentives to encourage it. Yet the Government does not dare talk of encouraging "colonisation"—getting people to leave the UK to settle the land—and this very process is handicapped by the lack of, and cost of, housing.

The principal post-conflict housing programme has been the 52 ill-fated "Brewster" houses that cost £7.2m. Even with better management and cheaper models, settlers cannot be housed cheaply because so much has to be imported. These issues deserve as much scrutiny as the huge military cost because they lie at the heart of the islands' future. They suggest formidable development problems and considerable cost overruns of existing civil expenditure—even if links were established with the Latin American mainland which is a remote possibility at present.

Antarctica and the South Atlantic Dispute: BBC publications, £12.95.

## Indicator of demand

From the UK Economist, J. Henry Schroder Wagg & Co. Sir, Another Kaletsky (Lombard, January 21) is wrong to dismiss sterling M3 as a "meaningless cipher." Clearly the Government is ultimately concerned with the growth in nominal demand, but sterling M3 is an indicator (if somewhat erratic) of the state of demand because of its timeliness. Mr Kaletsky points out that there has been no "decisive downward trend in the growth of sterling M3 since 1974" despite evident success in controlling nominal demand, but this merely proves that other factors must be taken into account when interpreting monetary developments: in particular, the phenomenal rise in real interest rates over the period dramatically increased desired holdings of interest-bearing assets. Real interest rates and velocity now appear to have stabilised.

The trouble is that although the Chancellor stresses the importance of looking at other variables in interpreting money, the failure to do so in practice except when money is over-shooting undermines the credibility of both the Government and the targets. Last November the exchange rate, the growth in retail sales and in imports suggested a buoyant economy. In those conditions Mr Lawson should have stated explicitly that monetary growth should be at the bottom end of the target range, and in consequence raised interest rates for at least not pushed these lower. If markets were treated as economically literate when the going is good, they might be more sympathetic when the money figures are oversteering demand growth (compare the Chancellor's credibility with that of Mr Volker).

Donald Franklin, 120 Leicestershire, EC2.

## The Insolvency Bill

From the Financial Director, Glaxo. Sir, — The Insolvency seems to have suffered the same fate as the law and practice it seeks to remedy, is, too little, too late.

This compromise attempt to curb the most unwelcome activities of delinquent directors and liquidators will have little practical effect either in this or in the more widespread problem of slush payments throughout industry generally.

The Bill will do nothing to stop the people it is aimed at from operating through third parties and will probably only lead to greater deviousness in doing so.

It does not help the severe

## Letters to the Editor

practical problems of debt collection. The law, even after the proposed revision, is still very slow, cumbersome and expensive to operate. To sue a debtor is often playing into his hands, as, with suitable counter-claims (real or imagined) and orchestrated delays, it is normal to wait up to a year in even get to court. Then is judgment is obtained, the bailiff or sheriff can be delayed by simple deception over the ownership of assets, as the presumption of "innocence" is still in favour of that "guilty" debtor. If the debtor's insolvency follows, the preferences given to government debts and the security held by banks means that the ordinary creditor rarely obtains anything, except a large solicitor's bill.

In my view, the "con man" will always be with us and changes to insolvency law will not deter the downright dishonest. What is required to remove the cash malaise of British industry is a court system which can hear both large and small claims quickly and deal out justice without the delays and mumbo jumbo with which both sides' lawyers feather their nests. The enforcement of judgments also needs strengthening by giving bailiffs the obligation and power to seize assets and placing the onus of proof on the debtor if they are not his.

In addition, the post of Official Receiver needs introducing in Scotland to handle the insolvent estates which have insufficient assets to pay a commercial liquidator. At present, such cases remain in a bankrupt "no man's land" for years on end before being struck off.

We should be grateful to the Government for doing what it has, but it must be continuously pressurised to make the administration of the law more practical. With the high proportion of lawyers in Parliament and so little time available to practical businessmen, I fear that the time solution is agreed the problem will have changed. If the Government, however, really values business prosperity as a key to economic recovery, it will listen to the hard pressed business at the sharp end, before it all goes bust.

Duncan Heenan, Ashchurch, Tewkesbury, Glos

ment training programmes, and in this capacity we have met a large number of TSB employees from main board directors to junior recruits. In our experience there is within the group a great deal of awareness at all levels both of the pros and cons of becoming a "carbon copy cleaner," and also of the need to enhance and develop the traditional and unique retail banking style of the TSBs rather than merely replicating other institutions.

In an extremely competitive environment such as financial services it would be an act of extraordinary managerial ineptitude to divulge, particularly at this stage of a major capital issue, details of the bank's strategic plans. It does not necessarily follow, however, that simply because the capital structure of the bank will be the same as the other cleaners, that its corporate structure will also inevitably be so. On this point I think your article was quite misleading in that it seemed to equate the concepts.

You concluded by counselling the TSB's senior managers to adopt the caution and prudence of their organisation's original founders. I suspect that were the founders here today and operating in the tough competitive world of banking, they would be realistic enough to opt for the additional £1bn in capital you spoke of, rather than put the depositors' savings at risk experimenting with your "workers' co-operative" suggestion.

(Dr) D. C. Gardner, 5-6, Bartholomew Place, E.C.1.

## Democracy in Pakistan

From the Information Minister, Embassy of Pakistan, Islamabad. Sir, — Mr Sharif Lone (Jan. 10) betrays his ignorance of the fact that Islam was the motivating factor in the movement for the establishment of the Muslim majority state of Pakistan in the sub-continent in 1947 under Qaid-i-Azam Mohammed Ali Jinnah's leadership. It is untrue to say that the founder of Pakistan "called Pakistan a state where religion is no business of the state." He did say that all citizens in Pakistan, whether Muslim or Hindu or Christian, would enjoy equal rights. And this they have done in Pakistan since its birth in 1947.

Qaid-i-Azam Mohammed Ali Jinnah wanted neither secularism nor democracy in Pakistan. Broadcasting to the people of the U.S. in February 1948 as Governor General of

Pakistan, he said that the constitution of Pakistan will be of a democratic type, embodying essential principles of Islam. Addressing Pakistani military officers in the Malir cantonment, near Karachi in February 1948, the founder of Pakistan said: "You have fought many a battle on the far-flung battle-fields of the globe to rid the world of the Fascist menace and make it safe for democracy. Now you have to stand guard over the development and maintenance of Islamic democracy, Islamic social justice and equality of man in your own native soil." Thus the Qaid-i-Azam's ideal was a harmonious blend of Islam and relevant concepts of western democracy.

President Zia-ul-Haq has, times out of number, said that his goal is to take Pakistan along the path of Islamic democracy. He is holding General Elections for the federal legislature on February 23 and for the provincial assemblies on February 28. The elections will be on the basis of universal adult franchise and secrecy of the ballot. Although the defunct political parties will not be in the polls, their members have perfect freedom to contest the elections in their individual capacity. The number of persons disqualified from contesting the elections by special tribunals due to their malpractices in the 1977 General Elections is not large. The federal legislature will meet in Islamabad on March 23.

After the General Elections, elected civilian Governments will be installed at the centre and in the provinces. Is this not a positive movement towards representative civilian rule and democracy? As against the rather disappointing record of rule by political parties in the past, the martial law Government of President Zia-ul-Haq has, in the past 7½ years, given Pakistan stability, peace and one of the highest economic growth rates in Asia. That is why in the December 19 referendum the majority of Pakistani voters supported President Zia-ul-Haq and the continuation of his government policies. Qaid-i-Azam 35, Lonsdale Square, SW1.

## Redirecting the Treasury

From Mr R. Bullock. Sir, — With reference to recent comments by Messrs Frowse and Taylor (January 10 and 21) there has long been a source of microeconomic advice to the Treasury — the Department of Trade and Industry and its predecessors. The \$84,000 question is to what extent the Treasury pays attention to such advice?

R. H. W. Bullock, 12 Peterborough Villas, Bagley's Lane, S.W.6.

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# SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Friday January 25 1985

**WHITE HORSE**  
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## Investment costs hit Procter & Gamble

**By Our New York Staff**  
PROCTER & Gamble, the U.S. consumer products giant, yesterday reported a 38 per cent drop in its second-quarter net income to \$137m. The group has been warning analysts that its profits in the short-term would be under pressure because of the costs of its various product launches and said that the current year would see the first drop in earnings in more than three decades. Nevertheless, the size of the drop in second-quarter net income disappointed the stock market and the group's shares fell 5 1/2 to \$56.4 shortly after the announcement yesterday morning. The group earned 81 cents per share in the latest quarter, which compares with \$1.24 per share in the first quarter of the current year and \$1.29 per share in the same period last year. In its last full financial year, P&G earned \$5.35 per share, but Wall Street analysts have recently been lowering their current year forecasts to around \$4.80 per share.

## Spanish boost for electronics

**By Tom Burns in Madrid**  
THE Spanish Government yesterday declared the electronics industry a "preferential interest" sector and announced tax rebates and other state incentives aimed at stimulating investment in the production of electronic equipment, software and data systems. The Cabinet decree was in line with the Government's drive to promote high-tech in Spain and, in particular, with the search for foreign partners for joint ventures in the sector.

## SETBACK IN QUARTER FAILS TO UPSET PERFORMANCE

# Exxon profits at \$5.5bn in year

**BY WILLIAM HALL IN NEW YORK**

EXXON, the world's biggest oil company, yesterday reported its first quarterly profit setback in over two years, but this was not sufficient to offset an 11 per cent rise in full-year net income to \$5.52bn.

The giant company blamed slower economy growth and generally warmer-than-normal weather, which helped depress petroleum product margins, for its 11.9 per cent drop in fourth-quarter net income to \$1.425bn. The fourth-quarter profits included a \$121m after-tax charge to cover the closure of a Caribbean refinery and losses on the sales of two of its large crude carriers.

Mobil, the second-biggest U.S. oil company, yesterday announced a much sharper drop in profits with fourth-quarter net income down 36 per cent to \$286m. Like Exxon, it announced a big charge in its final quarter (\$110m) to cover the previ-

ously announced closure of its Wilhelmshaven refinery in West Germany. Mobil's full-year profits fell 15.5 per cent to \$12.70bn or \$3.12 per share.

Standard Oil of Ohio (Sohio), majority-owned by British Petroleum, also reported lower fourth-quarter earnings, with net income down 10.5 per cent to \$250m. Full-year earnings from Sohio fell by 1.8 per cent to \$1.488bn, or \$6.14 per share.

Exxon also announced yesterday that it spent \$2.67bn on buying back 64.26m of its shares in 1984. This contributed significantly to the 17.1 per cent rise in 1984 earnings per share to \$6.77.

Mr C.C. Garvin, Exxon's chairman, said: "1984 saw an increase in petroleum and chemical demand with the strong economic recovery in the first half. Such growth slowed, however, in the second half of the year, and this, together with

atypical weather throughout the year, led to continued surplus supply and excess capacity in the petroleum industry."

The company noted that crude oil prices weakened throughout the year and ended unsettled. Worldwide downstream operations suffered significantly from downward pressures on product prices in most major markets.

Exxon's overseas exploration and production operations continued to underpin the group's profit recovery in 1984, increasing their earnings by 25 per cent to \$2.77bn. U.S. exploration and production earnings rose 7.8 per cent in 1984 to \$2.0bn.

By contrast, foreign refining and marketing operation profits fell 73 per cent to \$192m and U.S. refining and marketing profits fell by around two-thirds to \$181m.

Exxon says it benefited from an 11 per cent increase in overseas crude oil production and lower average taxes. Its chemicals and Refineries operations improved as a result of market growth and the economic recovery. Net interest earnings after tax also contributed to the improved earnings for the full year.

Mobil says that if the special charge-offs and other adjustments are stripped out of its annual figures, its net income in 1984 rose by around \$31m, or 2 per cent. On the same basis, its fourth-quarter earnings were down \$25m, or 7 per cent.

Exxon's total revenues, which had been shrinking since 1981, increased by 2.7 per cent to \$97.3bn in 1984. Mobil's revenues rose 2.7 per cent to \$60.8bn in 1984 and Sohio's revenues rose by a similar amount to \$12.3bn.

## Mixed results for U.S. food groups

**By Andrew Baxter in New York**

THREE U.S. food groups, Quaker Oats, Dart & Kraft and Gerber Products, yesterday produced a mixed bag of results but expressed optimism on longer-term prospects.

Quaker Oats, the Chicago-based concern whose non-food operations include Fisher-Price toys and specialty retailers, said net income for the second quarter ended December 31 fell from \$34.8m, or 84 cents a share, to \$31.3m or 75 cents. The year-to-date period includes a 10 cent-a-share gain from a debt exchange, without which results for both quarters were about even.

Six-month net earnings were down from \$82.8, or \$1.52 a share, to \$77m, or \$1.38. Sales rose from \$1.61bn to \$1.76bn in the half, and from \$852m to \$899.2m in the quarter.

In contrast, Dart & Kraft, which makes Duracell batteries and Tupperware products along with a range of processed cheese and dairy products, raised fourth-quarter net income slightly from \$118.4m, or \$2.16 a share, to \$125.5m or \$2.58, taking full-year earnings to \$455.8m or \$9.02, from \$435.1m, or \$7.92.

Mr John Richman, chairman and chief executive, said the strength of most of the company's businesses was evident in 1984, more than offsetting Tupperware's disappointing performance.

Gerber Products, which has about 70 per cent of the U.S. baby food market, raised net profits for the third quarter ended December 31 from \$11.5m, or 57 cents a share, to \$11.8m, or 59 cents, on sales up from \$182.8m to \$216.4m.

For the nine-month period, profits were up from \$38.8m, or \$1.82 a share, to \$39.1m, or \$1.82, while sales climbed from \$576.5m to \$681.8m.

## Chemical recovery boosts Elf result

**BY PAUL BETTS IN PARIS**

ELF AQUITAINE, the leading French state-controlled oil group, achieved a 78 per cent increase in net earnings last year to FFf 8.5bn (\$688m) from FFf 3.7bn in 1983.

Sales rose by 22 per cent to FFf 175bn from FFf 144bn the previous year. Group cash flow rose by 26.5 per cent to FFf 21bn, compared with FFf 18.8bn in 1983.

M. Michel Pequeur, chairman, expressed satisfaction at this performance, which makes the group the 12th largest oil company in the world.

He said the increase in profits reflected a major turn round in Elf's chemical activities, which broke even last year after suffering heavy losses in 1983.

Downstream refining and retailing losses were also reduced in 1984, while Elf's U.S. fertilizer operations recovered in 1984. French refining losses nevertheless totalled FFf 1.5bn last year.

The oil group also increased oil and gas production last year by more than 1m tonnes of oil equivalent.

lent, bringing total production to 36m tonnes.

Although Elf performed strongly, M. Pequeur said the group had to retain a cautious approach to the future. He said Elf had to continue investing to renew oil and gas reserves, modernise its basic chemicals operations and develop its presence in the special chemicals, health care and biotechnology sectors.

Atotech, Elf's main chemicals subsidiary, had sales of FFf 13bn last year and cash flow of FFf 75m. But M. Pequeur said chemical prices were coming under downward pressure again in the first quarter of 1985.

Elf's U.S. operations, including Texasgulf, produced a higher cash flow of \$175m last year compared with \$108m in 1983.

M. Pequeur expressed concern over the evolution of international oil prices warning that a drop in the crude oil price from \$28 to \$26 a barrel would cost Elf about FFf 1.2bn.

## Strong dollar cuts American Brands' gain

**By Our New York Staff**

AMERICAN Brands, the U.S. tobacco group, yesterday posted a 2 per cent rise in fourth-quarter net profits, with "excellent growth" in most markets offset by the continuing strength of the dollar.

Net profits for the quarter rose from \$104m, or \$1.81 a share, to \$106.2m, or \$1.83, while profits for the year advanced from \$390.2m, or \$6.76 a share, to a record \$414.1m, or \$7.20.

Sales fell from \$1.1bn to \$950.5m in the quarter, and from \$4.4bn to \$4.2bn in the year.

Mr Edward Whittemore, chairman and chief executive officer, said operating income records were established for both the quarter and the year.

## Amdahl recovers as demand accelerates

**BY ANDREW BAXTER IN NEW YORK**

AMDAHL, the California-based manufacturer of IBM-compatible computer systems, yesterday reported a strong recovery in earnings, reflecting accelerating demand for its products.

The company, in which Fujitsu of Japan has a near 50 per cent stake, posted fourth-quarter net profits of \$16.1m, or 5 cents a share. While this is only marginally ahead of the \$15.7m, or 34 cents, in the 1983 period, it compares with earnings of just 9 cents a share in the third quarter, excluding a 16 cents tax credit.

For the year, Amdahl reported net profits of \$58.4m, or 80 cents, down from \$48.4m, or \$1.03, in 1983, which includes a \$3.2m extraordinary credit.

Sales rose marginally from \$777.7m to \$779.4m in 1984, and from \$225.1m to \$227.4m in the final quarter.

The company's profits were hit early last year while customers waited for new products. Yesterday, however, Mr John Lewis, president, said volume installations of the new Series 580 computer systems and 6380 disk drives were important milestones.

Prime Computer, the Massachusetts-based minicomputer group, also ended the year on a strong note. Fourth-quarter net profits rose from \$10m, or 21 cents a share, to \$14.6m, or 31 cents, taking full-year earnings from \$32.5m, or 68 cents, to \$56.7m, or \$1.25.

## Ameritech and Nynex end year firmly

**By Our New York Staff**

AMERITECH and Nynex, two of the seven regional Bell Telephone holding companies in the U.S. formed out of the break-up of the Bell system at the start of last year, yesterday reported strong final-quarter and first full-year earnings.

Ameritech reported fourth-quarter earnings of \$202.5m, or \$2.07 a share, on revenues of \$2.13bn and full-year net earnings of \$690.9m, or \$10.17 a share, on revenues of \$8.35bn.

Nynex reported fourth-quarter earnings of \$262.3m, or \$2.82 a share, on revenues of \$2.44bn, and full-year net earnings of \$986.4m, or \$10.10, on revenues of \$9.51bn.

## DKB ECONOMIC REPORT

January 1985: Vol. 14, No. 1  
Japan's 1984 economy achieved balanced expansion between domestic and external demand

The Japanese economy is ending 1984 in relatively good shape with a 5-plus per cent real growth and an even 2 per cent consumer price rise, although the continuing large budget deficits and current account surplus remain major concerns. How will it fare in 1985, the third year of recovery? By far the most important element in this respect is the trend of the U.S. economy.

The U.S. economy is estimated to have achieved a real growth rate of close to 7 per cent in 1984, providing a strong impetus for the expansion of the world economy, including Japan. The expansion, however, was characterized by an extremely fast pace in the first half and a marked slowdown in the second half: 8.3 per cent in the first half and 4.2 per cent in the second half. The second half slowdown was caused by sharp deceleration of final domestic demands such as personal consumption, business capital investment and housing.

Deceleration of the U.S. economic expansion is bound to have significant bearing on countries dependent on exports to the U.S. such as Japan, West Germany, Canada and the Newly Industrializing Countries (NICs). Although the outlook for the U.S. economy does not seem to allow an easy optimism, it is hoped that the recent downturn in U.S. interest rates will help housing investment and consumption resume strength, arresting the slowdown of economic growth.

**Balanced economic expansion in 1984**  
The Japanese economy in 1984 enjoyed continuously strong exports, centering on those to the U.S., coupled with a surge of business capital investment. It achieved expansion with a good balance between domestic and external demand.

Real gross national product growth reached 14 per cent during the January-March quarter over the preceding period, 1.8 per cent in the April-June period.

June period and 0.7 per cent in the July-September period. The deceleration of growth in the third quarter was caused by a temporary fall in growth of exports, coupled with a temporary surge of crude oil imports prior to an oil tax hike.

This meant that domestic demand's contribution to economic growth remained steady at 1.3 per cent during the quarter, following 0.7 per cent in the first quarter and 1.2 per cent in the second quarter.

Real GNP growth during the first nine months of 1984, compared with the like period a year earlier, was 5.7 per cent (see chart). This consisted of 3.8 per cent from domestic demand and private demand at 3.5 per cent and public demand at 0.3 per cent and 1.9 per cent from external demand (exports of 3.7 per cent less imports of 1.8 per cent). A strong 10.5 per cent increase in corporate capital investment against the background of improved corporate results, triggered by the lowering of crude oil prices and the soaring of exports was the most important factor in increasing private demand. By contrast, personal consumption showed a meager gain of 2.9 per cent, while housing even dropped 1.3 per cent.

Despite the increasingly strong business expansion, prices in 1984 remained stable. Wholesale prices are estimated to have remained flat from a year earlier (during the first 11 months, they were down 0.3 per cent), while the consumer price advance is estimated to have been limited to 2.5 per cent during the first 10 months, it was 2.2 per cent. Behind this remarkable price stability was the presence of surplus supply capacity that worked to prevent a tightening of supply relative to demand and the absence of cost-push factors, as in wages.

Conditions deteriorated in the balance of payments. The surplus in the current account reached \$27.5 billion during the first 10 months of the year, easily surpassing the \$20.8 billion for all of 1983. Meanwhile, the deficit in the long-term capital account during the July-September period doubled to \$36.7 billion from 1983's \$17.7 billion.

**SUN weak personal consumption**  
Two demand factors that deserve special attention in connection with sustenance of brisk production activities are personal consumption and exports. Personal consumption is continuing to rise only moderately. Inflation-adjusted consumption by wage earners' households grew 4.7 per cent in September over a year earlier, but the monthly average of growth for July-September came out to be low at 1.5 per cent, almost unchanged from the 1.6 per cent for January-March and 1.8 per cent for April-June.

Inflation-adjusted disposable income increased 1.9 per cent during January-March over a year earlier, 2.0 per cent during April-June and 2.7 per cent during July-September, but the rise in income was matched by a decline in the propensity to consume — 0.3 percentage point during the first quarter, 0.1 point during the second quarter and 0.9 point during the third quarter, respectively, over a year earlier.

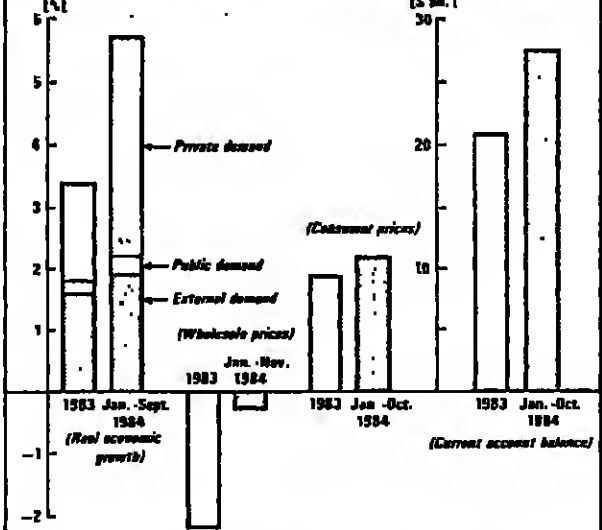
It is important that the decline in the propensity to consume did not necessarily reflect consumers' unwillingness. The surplus in the household budget (disposable income less consumption expenditures) increased 7.5 per cent during the first nine months of the year over a year earlier, but a net increase in savings and purchases of securities shrank by 22.3 per cent, meaning little was set aside for savings in a true sense of the word. The fact is that a majority of the surplus was diverted to payment of insurance premiums and repayment of borrowings, and the forced savings of this type are proving to be a major drag on the household budget.

**Warning signals over the future of exports**  
Following a summer lull in growth, exports grew firm again as far as indicators for October and November showed. The dollar value on a customs basis increased 3.9 per cent in October from the preceding month and 2.4 per cent in November in volume, the increases were 4.6 per cent and 2.5 per cent. These figures showed that shipments, centering on those to the U.S., of office machinery, electronics components including semiconductors, automobiles and tape recorders maintained brisk trends.

Nevertheless, leading indicators are pointing to a possible slowdown in the future. The value of export letters of credit received, for example, fell 2.7 per cent in November from the preceding month, a drop following eight consecutive months of increase. The drop reflected a slowdown in the growth rate of exports to the U.S. to 14 per cent over a year earlier from the previous rate of more than 20 per cent in recent months.

**Continuing expansion of current account surplus**  
Dollar-value imports on a customs basis increased 4.8 per cent in October and fell 3.3 per cent in November, respectively over the level a year earlier. These sluggish performances were a continuation of September's 2.4 per cent drop, and largely mirrored a reactionary drop in crude oil imports from

## Economic Growth, Prices and Balance of Payments



Notes: 1) Real economic growth and prices are year to year changes.  
2) Current account balance shows cumulative figures.  
3) Breakdown of total economic growth indicates each factor's percentage point contribution.

Source: Preliminary Report on National Income Statistics, Economic Planning Agency; Economic Statistics Monthly Board of Japan, etc.

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the August level, which soared due to the impending oil tax increase. As a result, the current account surplus for October expanded to an annual rate of \$41.1 billion from \$28.8 billion for the July-September average, according to the IMF statistics, and it is believed to have grown further in November. As exports are expected to grow in the future, albeit at a lesser rate, and growth of imports in dollar value is likely to remain moderate, trade and current account surpluses are expected to remain sizable.

**Growing money supply**  
In the monetary field, M<sub>1</sub>, which represents liquid funds, has been expanding at an increasing tempo — 16 per cent in January-March over a year earlier, 21 per cent in April-June and 3.3 per cent in July-September. The trend has been accompanied by moderate acceleration in expansion of the money supply (M<sub>2</sub> + CDs; average outstanding balance) in comparison with the corresponding period of last year, from 7.1 per cent in July-September 1983 to 7.8 per cent in July-September 1984. Financial institutions' lending, meanwhile, is showing particularly sharp growth. Recent declines of interest rates mirror this easy credit. As long as price stability persists, a reactionary credit relaxation will continue.

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Application has been made to the Council of The Stock Exchange for the 11 1/4% Notes, in the denomination of Pounds Sterling 5,000 with an issue price of 100 per cent, to be admitted to the Official List. Interest on the 11 1/4% Notes is payable annually in arrears on 6th February commencing on 6th February, 1986.

Particulars of the Notes and American Medical International, Inc. are available in the statistical services of Exel Statistical Services Limited. Copies of the listing particulars relating to the Notes have been published in the form of an Exel Card and may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 8th February, 1985 from:

Barclays Merchant Bank Limited 15-16 Gracechurch Street London EC3V 0BA	de Zoete & Bevan 25 Finsbury Circus London EC2M 7EE
American Medical International, Inc. c/o The Corporation Trust Company 1209 City Street Wilmington, Delaware 19801	Company Announcements Office The Stock Exchange Throgmorton Street London EC2P 2FT (until 7th January, 1985 only)
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25th January, 1985

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## INTERNATIONAL COMPANIES and FINANCE

## U.S. quarterly results

AMERICAN NATURAL RESOURCES Nat. gas trans. & exploration			
Fourth quarter	1984	1983	
Revenue	\$68.9m	\$67.9m	
Net profits	\$8.7m	\$11m	
Net per share	1.56	1.50	
Twelve months			
Revenue	\$349m	\$344m	
Net profits	\$15.1m	\$17.3m	
Net per share	5.26	4.68	
CROWN ZELLERSBACH Pulp, paper, timber, packaging			
Fourth quarter	1984	1983	
Revenue	\$31.9m	\$28.7m	
Net profits	\$1.3m	\$1.1m	
Net per share	0.23	0.22	
Twelve months			
Revenue	\$165m	\$158m	
Net profits	\$16.5m	\$15.5m	
Net per share	2.51	2.54	
GLOBAL MARINE Offshore drilling			
Fourth quarter	1984	1983	
Revenue	\$8.2m	\$10.7m	
Net profits	\$1.5m	\$3.5m	
Net per share	12.82	0.98	
Twelve months			
Revenue	\$45.6m	\$47.2m	
Net profits	\$19.2m	\$43.2m	
Net per share	13.25	1.42	
ANIFAC Wholesale distribution, food processing			
Fourth quarter	1984	1983	
Revenue	\$58.5m	\$50.1m	
Net profits	\$10.2m	\$12.7m	
Net per share	1.14	1.11	
Twelve months			
Revenue	\$230m	\$225m	
Net profits	\$115.1m	\$103.2m	
Net per share	10.99	12.79	
ASHLAND OIL Petroleum refiner			
Fourth quarter	1984	1983	
Revenue	\$2.1m	\$2.1m	
Net profits	\$0.5m	\$0.5m	
Net per share	0.54	0.56	
Twelve months			
Revenue	\$11.5m	\$11.5m	
Net profits	\$2.5m	\$2.5m	
Net per share	0.70	0.58	
SECTION, DICKINSON Health care products			
Fourth quarter	1984	1983	
Revenue	\$14.5m	\$12.2m	
Net profits	\$0.7m	\$0.5m	
Net per share	0.70	0.58	
CADILLAC FAIRVIEW Property group			
Fourth quarter	1984	1983	
Revenue	\$37.5m	\$20.2m	
Net profits	\$4.8m	\$2.5m	
Net per share	0.55	0.19	
Twelve months			
Revenue	\$119m	\$104m	
Net profits	\$45.4m	\$32.1m	
Net per share	2.17	1.73	
COMMONWEALTH EDISON Electric utility			
Fourth quarter	1984	1983	
Revenue	\$1.7m	\$1.7m	
Net profits	\$1.7m	\$1.7m	
Net per share	0.97	0.90	
Twelve months			
Revenue	\$7.3m	\$7.3m	
Net profits	\$1.7m	\$1.7m	
Net per share	0.97	0.90	
CONSOLIDATED EDISON Utility			
Fourth quarter	1984	1983	
Revenue	\$1.7m	\$1.7m	
Net profits	\$1.7m	\$1.7m	
Net per share	0.97	0.90	
Twelve months			
Revenue	\$7.3m	\$7.3m	
Net profits	\$1.7m	\$1.7m	
Net per share	0.97	0.90	
CORNING GLASS WORKS Special glass products			
Fourth quarter	1984	1983	
Revenue	\$4.1m	\$3.7m	
Net profits	\$1.5m	\$1.5m	
Net per share	0.69	0.78	
Twelve months			
Revenue	\$17.3m	\$15.8m	
Net profits	\$4.1m	\$3.7m	
Net per share	0.69	0.78	

## Downturn in final period for Motorola and Gould

BY PAUL TAYLOR IN NEW YORK

MOTOROLA and GOULD, two major U.S. electronic component and equipment manufacturers, have both reported lower earnings in the 1984 final quarter.

Motorola, the semiconductor and portable communications equipment group, said its fourth quarter net earnings fell to \$87m or 73 cents a share from \$95m or 81 cents a share in the year-ago period. Sales increased by 17 per cent to \$1.49bn from \$1.27bn.

Despite the fourth quarter decline Motorola still managed to post a healthy full year increase in operating earnings

to \$349m or \$2.93 a share from \$244m or \$2.09 a share. Sales jumped to \$5.54bn from \$4.3bn. In the latest year a \$38m tax credit resulted in final net earnings of \$37m or \$3.27 a share.

Gould has recently undergone a major corporate restructuring and made a \$54m after-tax provision in the fourth quarter to cover the costs of discontinuing certain businesses. Net earnings from continuing operations in the final quarter declined to \$23.2m, or 32 cents a share, from \$25.2m, or 36 cents a share. Net sales declined to \$21.9m from \$23.3m. The sales drop primarily reflects the impact of discontinuing certain operations.

## TWA back in the black after five years

By Andrew Baxter in New York

TRANS WORLD Airlines, the major U.S. carrier, has posted net earnings of \$23.9m for 1984—its first annual profit before extraordinary gains since 1978—despite a \$29.4m fourth quarter loss.

The loss, equivalent to \$1.08 a share, compares with net profits in the corresponding 1983 period of \$21m or 46 cents a share. But the 1983 period includes a \$23.5m extraordinary gain, without which there was a loss of \$2.5m.

TWA's yearly profit is equivalent to 17 cents a share and compares with a final net loss of \$12.4m or 99 cents a share in 1983. The 1984 and 1983 results included net non-recurring gains of \$25.4m and \$94.7m respectively.

Revenues rose from \$3.35bn to \$3.66bn in the year, and from \$788.2m to \$853.1m in the quarter.

TWA has made operating losses in domestic services of around \$48m since 1981, but Mr C. E. Meyer, president and chief executive, said the 1984 results reflected "continuing improvements in our domestic division along with a repetition of the outstanding 1983 performance by our international division."

Contributing factors included the expanding domestic economy and the strong dollar's stimulus in U.S. travel overseas, along with lower fuel prices and concessions on pay from the airline's unions.

Transworld Corporation, the hotels and food services company from which TWA was spun off last year, lifted 1984 net income to \$115m or \$3.14 a share from \$68.2m or \$1.29 from comparable operations in 1983.

Fourth-quarter earnings from continuing operations nearly doubled from \$15.1m or 34 cents a share to \$29.4m or 74 cents. Revenues rose from \$507.7m to \$522.8m, taking 1984 revenues to \$2bn from \$1.9bn.

## Bayer and Ciba to end joint venture

By John Davies in Frankfurt

BAYER, the West German chemical and pharmaceutical concern, may take full responsibility for Scheldt Chemie, the troubled chemical company which it has run as a partnership with Ciba-Geigy of Switzerland.

Bayer and Ciba-Geigy have agreed to begin negotiations about dissolving their 50-50 partnership arrangement. The West German group said yesterday that it was too early to give any details of what might be decided, but it indicated it was prepared to carry on alone.

Bayer stressed that Scheldt Chemie, based in Brunsbüttel in northern Germany, would continue operations and would be closely bound up with Bayer's own chemical complex at the same site.

Scheldt Chemie has invested heavily in plant to produce organic chemical intermediate products, mainly for use in making dyes.

Last year it was forced to shut down a newly built anthraquinone plant because it was no longer considered technically feasible. The plant closure and the latest in the series of run-ups placed a DM 350m (\$110m) burden on Bayer's accounts last year, while Ciba-Geigy has also made a heavy charge against its profits.

Bayer yesterday reiterated its commitment to Brunsbüttel as a chemical site.

## Setback for Monsanto

MONSANTO, the fourth biggest U.S. chemicals group, has reported a 43 per cent drop in fourth-quarter net income, to \$41m or 58 cents a share, from \$72m or 87 cents, but for the full year it was able to show a 9.2 per cent rise in net earnings, to \$439m or \$5.42 per share from \$402m or \$5.09.

Group sales in the final quarter fell to \$1.56bn from \$1.65bn. For the year, however, sales were 6.2 per cent ahead, at \$6.7bn, against \$6.3bn.

## Canada set to increase pulp exports

By Robert Gibbins in Montreal

THE CANADIAN Pulp and Paper Association (CPPA) has forecast a rise in the industry's exports of about 2 per cent to 21.5m tonnes this year, compared with an increase of about 4.3 per cent in 1984.

The figures assume conservative real economic growth in the U.S.

Newspaper exports should increase by about 1 per cent to 9.1m tonnes, compared with a rise of nearly 7 per cent in 1984, mainly because of a slowdown in demand in the U.S. Canada's share of the U.S. newspaper market will be about 57 per cent against 58 per cent in 1984 — up several points from the 1982 low.

Market pulp exports should rise 2.5 per cent to 7m tonnes, against a slight decline in 1984 because of labour disputes in western Canada.

Printing and writing paper exports, including ground wood printing grades used in the booming North American newspaper insert market, will rise about 6 per cent this year against 13 per cent in 1984.

Packaging paper exports should increase by about 3 per cent. The CPPA sees a slight improvement in profits in 1985.

## Quarterly profits up for Bell Canada parent

BY OUR MONTREAL CORRESPONDENT

BELL CANADA Enterprises, which owns Bell Canada, the major telecommunications utility, and 80 non-regulated businesses, including Northern Telecom, had a major increase in earnings in the fourth quarter and 1984 as a whole.

Fourth-quarter net profit was \$361.8m (\$198m) or \$1.10 per share, against \$312.5m, or 98 cents, a year earlier, excluding special items. Average shares outstanding were 228m against 211m.

BCE earned \$840.3m, or \$24.03 per share, in 1984 against \$745.2m, or \$23.46, excluding special items.

The company attributed the strong performance to both Bell Canada and Northern Telecom, together with dividend income from BCE's 47 per cent interest in Trans-Canada Pipelines, the main gas transmission company in Canada. Full results and revenue figures for the year will be available in the first week of February.

## Setback for NL Industries

BY OUR NEW YORK STAFF

NL Industries, the U.S. oil service group, reported a \$141m loss or \$2.33 a share for 1984 after taking a \$150.9m writedown in its fourth quarter.

NL Industries was forced to slash its dividend last year as a result of the slump in the oil services business. The company which lost \$107.4m in 1983 said its fourth-quarter writedown, equivalent to \$2.44

per share, "adjusts the company's petroleum service asset base to a level more consistent with anticipated levels of industry demand."

Excluding the final quarter writedown continuing operations earned \$18.1m or 24 cents, on sales of \$1.4bn. The result comes after the announcement of a \$91.2m loss in 1984 by Global Marine, the third largest offshore drilling company in the U.S.

## Austrian banks agree to curb deposit competition

BY PATRICK BLUM IN VIENNA

IN A move to curb domestic competition, Austrian banks have agreed not to advertise their deposit and savings rates. The move was described by one banker yesterday as "extraordinary, taking banking back

to the Dark Ages."

The decision is part of a package of measures drawn up by a group of senior bankers and financiers, to regulate competition in an effort to take the pressure off bank profits.

Austrian banks have some of the lowest profit margins among OECD countries.

Dr Franz Vranitzky, the Finance Minister, and the Austrian national bank have become increasingly concerned about uncontrolled competition among the banks.

Dr Vranitzky warned the banks to put their house in order or face the possibility of Government intervention. The national bank had warned that it would cut refinancing funds to the banks unless they took action.

## NatWest Mortgage Rate

With effect from 1st February, 1985 for new and existing borrowers, the NatWest Mortgage Rate payable under current Mortgage Deeds and Conditions of Offer will be increased from 11¼% p.a. to 12½% p.a.

National Westminster Home Loans Limited  
41 Lothbury, London EC2P 2BP.

All these securities having been sold, this announcement appears as a matter of record only.



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Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 28th January, 1985 to 29th July, 1985 has been established at 9½ per cent per annum.

The interest payment date will be 29th July, 1985. Payment which will amount to US \$1,200.00 per US \$25,000 Note and US \$240.14 per US \$5,000 Note, will be made against the relative coupon.

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Subordinated Floating Rate Notes Due January '92

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from January 28th, 1985 to July 29th, 1985 the notes will carry an interest rate of 8¾ per cent per annum. On July 29th, 1985 interest of US\$448.68 will be due per US\$10,000 Note against Coupon No. 3.

Agent Bank  
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CRA Finance Limited

Guaranteed Floating Rate Bearer Notes 1990.

First series issued on July 27, 1982 maturing July 27, 1990

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from January 28, 1985 to July 29, 1985 the following information is relevant:

1. Applicable interest rate: 9½ per annum
2. Interest payable on next interest payment date: US \$4,550.00 per US \$100,000.00 nominal
3. Next interest payment date: July 29, 1985

January 24, 1985  
BAAsia Limited Agent

U.S. \$40,000,000



The Sanwa Bank Limited

London

Callable Negotiable Floating Rate Dollar

Certificates of Deposit due 28th February, 1986.

Notice is hereby given that in accordance with Clause 3 of the Certificates, the issuer will exercise the Call Option and redeem all the outstanding Certificates at their principal amount on 28th February, 1985 when interest on the Certificates will cease to accrue.

Repayment of principal together with accrued interest will be made upon presentation of the Certificates at the offices of the issuer on 28th February, 1985.

Credit Suisse First Boston Limited Agent Bank



## INTL. COMPANIES & FINANCE

## FT COMMERCIAL LAW REPORTS

### Pru to sell 49% of Malaysian operation

By Wong Sulong in Kuala Lumpur

**PRUDENTIAL ASSURANCE**, Britain's largest life insurance company, is restructuring its Malaysian operations in compliance with the Government's New Economic Policy (NEP).

Lord Carr, Prudential's chairman who is in Malaysia, disclosed that 49 per cent of the Malaysian company would be sold to locals over the next few months.

Prudential will control 51 per cent of the company until 1987, when its stake will be reduced to 49 per cent. It will be brought down to the NEP's requirement of 30 per cent by 1990.

The Malaysian partners are Tan Sri Ramzan Senui, a well-known town planner and director of the ICI companies in Malaysia, who is taking up 15 per cent, Mr Mohamed Ibrahim Zaki, executive director of Oriental Bank (15 per cent) and Mr Yeap Leong Ann, executive director of Ban Hin Lee Bank (19 per cent). The price of their stakes was not disclosed.

Prudential Assurance of Malaysia has a paid-up capital of 10m ringgit (US\$4m) and had premium income of nearly 16m ringgit for 1983. It has more than 300 agents.

### Everite down at six months

By Jim Jones in Johannesburg

**EVERITE**, the South African asbestos products group which is 35 per cent owned by the External Group of Switzerland, suffered an earnings setback in the first six months ended December 31 because of a decline in building activity and generally adverse economic conditions.

As a result of acquisitions first half turnover increased to R117.8m (\$51.2m) from R103.3m. However, operating profit before interest and tax slipped to R20.3m from R21.5m. In the year ended June 1984, turnover was R235m and operating profit R45m.

First-half earnings per share dropped to 47c from 59c in the first half of 1983. The interim dividend has been maintained at 20 cents.

### TDK lifts group earnings by 20% on higher sales

By JUREK MARTIN IN TOKYO

TDK, the world's largest supplier of magnetic tapes, increased its group profits by 19.9 per cent last year, thus continuing its improvement from its disappointing performance of 1982.

In the year ended November, net earnings rose to ¥32,250m (\$197.2m) from ¥26,900m on sales of ¥416bn (¥346bn previously).

Earnings per common share and per American Depositary receipt went up to ¥294.75 and ¥589.51 from ¥245.84 and ¥491.68 respectively.

The company attributed the surge in sales to the high demand, in Japan as well as overseas, for electronics materials and components used in household appliances, cars,

communications equipment and televisions. Sales growth for these products was 31 per cent last year.

Unlike many other Japanese companies specialising in electronics, however, this advance was not largely dependent on foreign, particularly U.S., demand. Overseas sales rose by 19.6 per cent to ¥197.14bn from ¥164.85bn, but this was slightly less than the overall 20.1 per cent turnover increase and as a result the overseas share of TDK's sales slipped fractionally to 47.4 per cent from 47.6 per cent.

A further breakdown in the sales composition demonstrates the extent to which TDK has been diversifying its product mix away from its

long time staple, magnetic recording tape. This market, a victim of oversupply two years ago, is now characterised by savage price cutting as the major Japanese consumer electronics concerns (including JVC, Matsushita and Sony) have begun full scale manufacturing.

In 1984, sales of magnetic tape rose in unit volume by 30 per cent but, with the average price for a video tape falling by 17 per cent year-on-year, its value rose by a more modest 8.5 per cent, to ¥195bn from ¥176bn. This was the smallest increase of any of TDK's product sectors and means that the proportion of tape sales to overall sales fell to 46.3 per cent from 50.3 per cent in 1983.

### Danish insurer to go public

By HILARY BARNES IN COPENHAGEN

**TOPSISKINDING**, Denmark's second largest non-life insurance business, plans to carry out a process of "demutualisation" this year, converting itself into a joint stock company with a listing on the Copenhagen stock exchange.

According to Mr Henning Erik, the managing director, Topsiskinding will be the first

European company to undertake such a conversion. The insurer's premium income in 1984 was DKK 1.7bn (\$149m) in non-life and DKK 200m in life business. Its equity capital is DKK 850m. Policyholders, who are the mutual members of the company, at present, will be offered shares in a parent company, Top Denmark, in relation to

premiums paid over the past five years in the case of non-life insurance or the share of life policies held in the reserves of the life company.

The nominal value of the share capital in the holding company will be DKK 100m. Mr Erik said he expected the market price to settle down at between DKK 500 and DKK 700 per DKK 100 share.

### Victoria Barracks back on market

**HONG KONG**—Hong Kong's Department of Lands withdrew from sale more than two years ago when bids for the site did not meet government expectations.

Mr Duncan Scott-Will, a government land agent, said the property, known as Victoria Barracks, had probably been listed for auction in the semi-annual catalogue of sites the Government is prepared to sell.

Mr Scott-Will said that the Government planned to offer the land—for commercial or hotel development—via four adjoining sites, each comprising between 500 and 6,000 square metres. AP-DJ

### Bahrain bank to maintain payout despite downturn

By MARY FRINGS IN BAHRAIN

**NATIONAL Bank of Bahrain**, which is 49 per cent government-owned, is maintaining its 1984 dividend at the previous year's level of 30 per cent, despite decline in net earnings to BD 10.74m (\$28.5m) from BD 12.54m.

Total assets (excluding contra accounts) increased by 14 per cent to BD 639m and the return on average assets of 1.8 per cent compares with 2.49 per cent in 1983 and 2.74 per cent in 1982.

Results of NBB's domestic operation (80 per cent of total) are consolidated with those of its offshore banking unit (ORU)

and branch in Abu Dhabi, but exclude interbank transactions. Although this is the first time in more than 10 years that NBB has not improved its profit, Mr Ahmed Ali Kano, the chairman, said the result was better than expected given the prevailing economic climate. The net earnings figure reflected a deduction of BD 1.5m to provide for bad and doubtful debts and BD 500,000 against expenses, which would otherwise have been held below the 1983 level, included BD 500,000 for commercial registration fees—up from BD 10,000.

### Trade union carries burden of members' litigation

**BOURNE v COLODENSE LTD.**, Court of Appeal (Lord Justice Lawton, Lord Justice Griffiths and Lord Justice Dillon): January 23 1985

WHERE A trade union, acting within its powers, encourages and finances one of its members to bring an injurious action as a test case against his employer, he is entitled to be indemnified by the union for costs awarded against him in that, in the circumstances, he must have litigated on the understanding that it would pay.

The Court of Appeal so held when allowing an appeal by Colodense Ltd from a decision of Sir Neil Lawson, sitting as a deputy High Court judge. The judge had discharged an order for appointment of a receiver of Mr Frank Albert Bourne in a claim against his union, the National Society of Operative Printers Graphical and Media Personnel (NOSPOM), now known as Sogat '82.

LORD JUSTICE LAWTON said that Mr Bourne was employed in the printing shop of Colodense's factory at Bristol. Before 1973 he and others working in the shop began to develop persistent coughs and other kinds of illness, which they believed were caused by Colodense's negligent use of a toxic substance.

In 1973, Mr Bourne applied to his union for assistance in obtaining compensation from his employer. He authorised the union, and its solicitor, to act on his behalf.

The union was concerned about the welfare of its members. On March 19 1978 its solicitor issued writs on behalf of Mr Bourne and 11 other union members employed in the printing shop. Mr Bourne's case was treated as a test case.

On February 19 1979, after a 42-day trial, judgment was given for Colodense with £50,841 costs. Mr Bourne did not pay them. With interest the amount now owing was about £79,000.

Mr Bourne was elderly and had no assets. Neither execution nor bankruptcy would produce anything for Colodense.

As the litigation was financed by the union, Colodense believed that it had given Mr Bourne to understand that it would indemnify him against any order for costs which might be made against him.

It applied for a receiver to be appointed to bring proceedings claiming indemnity against the union. The order was made, but on appeal it was discharged by Sir Neil Lawson sitting as a

deputy High Court Judge. Colodense appealed.

Mr Sedley, for Mr Bourne, accepted that for at least the past 20 years it had been the practice of trade unions when they financed personal injury claims, to pay the costs if the claims failed.

In *Carr v Allen Bradley* [1980] 1 CR 693 Mr Justice Waterhouse said that "trade unions have shouldered the burden, despite the fact that the terms of order in always against the litigant himself rather than the trade union, to enable their members to sue without fear of financial penalty" (see also: *Hill v Archbold* [1968] 1 QB 686, 695).

The union in the present case did not put its solicitor to running to pay the costs. After Colodense had issued the summons for appointment of a receiver, Mr Bourne, by affidavit, stated that he was aware that he had the right to apply for assistance with costs, but had decided that under no circumstances would he do so.

He said: "I am aware that the defendants have the right to enforce their order for costs against me personally. My strong feelings against the defendants do not arise only out of the fact that I failed in my action."

No express or implied undertaking had been given by the union to pay Mr Bourne's costs. The question was whether, having regard to all the circumstances, there must have been an understanding, amounting to a contract, that the union would discharge any liability.

When Mr Bourne agreed to accept the union's assistance, it was on such an understanding, it was inconceivable that a sick, elderly, married man, who had lost his job through ill-health, would have become involved in the litigation without being assured that the union would stand behind him in all circumstances.

Mr Sedley submitted that under its rules, the union could not properly give Mr Bourne financial assistance without his having requested it.

The rules were far from clear. They must be construed as they would be understood by the members (see *Anton Transport* [1973] AC 15, 100-101).

The objects of the union were set out in rule 2. The general effect was for the union to try to look after members' interests at work, to sickness, old age and adversity. One circumstance of adversity was when a member required legal advice.

Rule 2(a) provided that assistance was to be made available to members instituting legal proceedings in connection with matters pertaining to their employment or securing compensation to them for injury by accidents.

Members would construe that rule as meaning that the union would stand by them if they had to institute legal proceedings—and standing by them would not mean deserting them when faced with an order for payment of costs.

Sub rules (k) and (l) enabled the union "(k) to . . . generally do all things which a trade union may lawfully do . . . (l) to take any steps considered necessary in the opinion of the Executive Council to achieve any of the preceding objects."

Unions could lawfully indemnify their members against all risks arising out of litigation. Sub-rule (l) gave the Executive Council a wide discretion to do what, in its opinion, was necessary to achieve any of the specific objects in rule 2.

That would include indemnifying against all litigation risks a member who was being put forward in a test case for the benefit of a number of other members.

The rule which Mr Sedley submitted prevented the union from discharging Mr Bourne's liability for costs, was rule 33(E). Sub-rule 2 provided that applications for benefits were to be placed before the Executive Council which should give directions as to the nature and extent of any assistance "provided that at the termination of legal proceedings a member may apply for assistance or further assistance as a consequence of such proceedings. Unlike the assignment in *Trendtex* it was not trying to get out of the union more than it was entitled to under the order for costs."

The appeal should be allowed. Lord Justice Griffiths agreed. Lord Justice Dillon gave a concurring judgment.

For Colodense: John Slater and Jonathan Waite (Kennebels). For Mr Bourne: Stephen Sedley QC and Paul Norris (OH Forsons).

By Rachel Davies Barrister

and sub-rule 3, did not in any way restrict the Executive Council's power to give assistance to whatever extent it considered necessary for achieving the union's objects—and one of them was securing compensation to its members for injury by accident.

It followed that the full indemnity which his Lordship was sure the Executive Council gave in Mr Bourne was not *ultra vires* the union.

Mr Sedley submitted that even if the union did agree to give Mr Bourne a full indemnity, the receiver would take over a "bare right of action" which, subject to some exceptions, was not assignable.

Before *Trendtex v Credit Suisse* [1982] AC 679 it was arguable that one of the exceptions was a debtor's assignment of a right of action to his creditor. In that case however, Lord Roskill said at page 703 that "an assignee who can show that he has a genuine commercial interest in the enforcement of the claim of another . . . is entitled to enforce that assignment."

Colodense clearly had a commercial interest in the enforcement of such rights as Mr Bourne had against his union.

If it could not enforce its rights through the receiver, it would have no more than a worthless order for costs in its favour. Unlike the assignment in *Trendtex* it was not trying to get out of the union more than it was entitled to under the order for costs.

The appeal should be allowed. Lord Justice Griffiths agreed. Lord Justice Dillon gave a concurring judgment.

For Colodense: John Slater and Jonathan Waite (Kennebels). For Mr Bourne: Stephen Sedley QC and Paul Norris (OH Forsons).

By Rachel Davies Barrister

### FOREIGN BANKS IN NEW YORK

The Banker in the March issue will be publishing its annual study on the expansion of New York as an international banking centre. The study will again include the full listing of every foreign banking operation—Branch, Agency, Representative Office or Subsidiary—active at the end of 1984. Location, management, staffing and status are detailed in full.

Banks, Financial Institutions and Suppliers to the Banking Industry wishing to demonstrate their commitment to New York's international banking expansion by advertising in this important study should contact:

The Marketing Director  
THE BANKER  
102 Glenview Road, London EC1M 5SA  
Tel: 01-251 9321 Telex: 23700

### Company Notices

**BRAZILIAN EQUITY HOLDINGS S.A.**  
R.C. LUXEMBOURG: 811366  
Registered Office:  
LUXEMBOURG, 15, rue Aldringen

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

An Extraordinary General Meeting of Shareholders will be held at 27, Avenue Montebello, Luxembourg, on 4 February 1985 at 12.15 p.m. to deliberate on the following:

- To amend the first paragraph of Article 5 of the Statutes of the Company.
- To amend Article 10 of the Statutes of the Company.
- To amend Article 11 of the Statutes of the Company.
- To amend Article 12 of the Statutes of the Company.
- To amend Article 13 of the Statutes of the Company.
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The Board of Directors of the Company, which is authorised and instructed to increase the share capital within the limits of the above stated limits, hereby calls the attention of the shareholders to the fact that the above stated limits are subject to the approval of the shareholders at the Extraordinary General Meeting of Shareholders to be held on 4 February 1985 at 12.15 p.m. at the above stated address.

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# THE PROPERTY MARKET BY MICHAEL CASSELL

## Bell bid bails out Daon

DAON Development Corporation, the Vancouver-based property group, might have won its long struggle for survival but this week it lost its independence.

The group, which raced through the ranks of North American property developers before falling over its own feet, finally seemed to be on the way back up. But just when the worst appeared to be over, along came Monday's C\$169m recommended bid from Bell Canada Enterprises.

In 20 years, Daon rose from nowhere to claim a place alongside other real estate giants like Cadillac Fairview, Triac and Olympia and York. It went public in 1969 and stepped up a development programme which was eventually to extend from Alberta to southern California.

Daon's rapid growth — from 1977 to 1981 its assets rose fivefold to C\$2.3bn — was built by using debt to finance clever property and land deals in an inflationary market. In 1981, soaring interest rates and weakening property markets spelled the end of the success story and by 1982 the group was running into heavy losses.

Total debts touched nearly \$2bn and while an emergency property disposal programme went into top gear, a massive financial restructuring operation involving its creditors got underway. Few observers gave the group any chance of survival but by 1984 the corner

had been turned and Daon was able to say that a British-backed rights issue, planned as part of this restructuring, might no longer be necessary.

Last summer, Daon reported a "dramatic turnaround" in its performance. The programme of asset disposals continued and in the autumn it sold three major shopping centres in Alberta for C\$240m. Land sales in the U.S. raised over C\$150m last year. By last October, group property assets were down to C\$836m — two thirds of them in the U.S. and half what they were at the peak. A month ago, the group announced a net profit of C\$50m for the year to October 1984, against a previous C\$35m loss.

In his last annual report, co-founder and president Jack Poole claimed Daon was in a position to withstand all but the most severe economic downturn and said he looked forward to a bright 1985. So why, along with fellow co-founder Graham Dawson, is he selling out?

The truth must be that, in spite of the improved outlook for Daon, the road to recovery and a return to the heady days of the late 1970s remains a very long one. Last year's results, encouraging as they appeared, were to some extent distorted by the recovery of income tax and the benefits of its Alberta property sales.

In spite of the emergency treatment, the patient still

looked very ill at the end of 1984. With total group assets standing at C\$1.3bn, liabilities were not far behind at C\$1.1bn. Given that the financial restructuring package only runs until October 1986, Daon could hardly claim to be out of the woods.

The still uncertain future, together with the unhappy past, is clearly reflected in the terms which shareholders are being asked to accept. The C\$3 share on offer compares with a 1981 high of over C\$13, though the price at one time fell under C\$1 and was standing at C\$2.61 at last week's suspension.

For Bell Canada, one of the country's strongest financial corporations, the acquisition of Daon hands it a ready-made real estate arm. Last year it formed BCE Realty to manage its growing real estate business and, in partnership with Oxford Development Group, is developing a 1m sq ft office complex in downtown Toronto. It has also purchased a Toronto office tower.

Bell says it has no intention of disturbing the Daon team — "It's clearly a very competent management" but it can clearly provide some badly needed financial aid.

Part of the deal is that Poole remains as president and chief executive officer and he also intends to retain about 4.5m of his 6m shares in the group. There could be no greater incentive for him as he helps Bell to pull his baby through.

## Kershaw quits at London Bridge City

THOUGH no-one involved will admit it, Peter Kershaw's decision to quit as the man in charge of one of Europe's biggest development projects represents the end of an increasingly fraught relationship with St Martins Property Corporation.

Kershaw's resignation as executive director of St Martins, where he was in charge of the £350m London Bridge City scheme on the south bank of the Thames, comes just when the results of his endeavours are rising out of the ground. Work on the first 800,000 sq ft phase is well under way and completion is due in the late summer of next year.

Kershaw, who is joining Stuart Lipton's Stanhope Securities to oversee the £280m redevelopment of Liverpool Street and Broad Street stations, has very clearcut, progressive ideas about project management and it appears his style was not fully appreciated by other members of the St Martins team.

As a close colleague put it: "Peter has an aggressive, American-style approach to project management, very much in the Lipton mould. It was an approach which, in the end, simply didn't fit at St Martins."

Despite the good progress being made on the immensely ambitious project, the relationship continued to deteriorate and Kershaw decided to call it a

day. Liverpool Street will hardly be any less of a challenge and Lipton will be delighted to welcome back a former colleague. The two worked together at Greycoat Estates during the development of Cutlers Gardens in the City.

Over at St Martins, the gap left by Kershaw's sudden departure is being filled by Malcolm Savage, St Martin's chief executive (Property). Savage says Kershaw's role was to set up construction management techniques for the project, which he had successfully accomplished. "We are very sorry to lose him but part the best of friends."

As for London Bridge City, the success or failure of which is a matter of intense interest for the property market north of the Thames, Savage reports inquiries totalling more than 9m sq ft and involving over 100 companies. So far, however, none of them has signed on the line, although these are still very early days. Savage says there are two or three "very strong" inquiries from potentially major tenants.

Apparently, the major pre-let announced when the project was unveiled in October 1983, still stands. But Savage says the details of the mystery letting have changed and that he intends to be even more circumspect than before when it comes to providing details.

## FT buys freehold

In a rare transaction, the City of London Corporation has sold to the Financial Times the freehold of the newspaper's headquarters building in Cannon Street.

The Corporation is one of the largest property owners in the City and is normally reluctant to part with freeholds. But, after prolonged negotiations, it has accepted a £3m offer from the Financial Times for the freehold of Bracken House.

The listed building, on an island site close to St Paul's Cathedral, was held on a 99-year lease from the Corporation, granted in 1959. The ground rent was fixed at £20,000 a year.

Mr Frank Barlow, chief executive of the Financial Times, said the newspaper planned some alterations to the building to accommodate its changing requirements but that it felt it could not justify such expenditure unless it held freehold ownership. He emphasised that the majority of the company's operations would remain based at Bracken House.

Urban Land Properties and W. A. Blackburn have submitted plans in the London Borough of Haringey for a £30m office and retail scheme at Romford railway station. The project, to be carried out in conjunction with British Rail Property Board, would provide 94,000 sq ft of offices and a DIY superstore.

## Prudential ready to go in Reading

AFTER A five-year planning battle, the Prudential appears to be on the verge of winning approval for its £40m office scheme at Reading railway station.

The 200,000 sq ft project was halted by objections from Berkshire County Council, which withdrew them last November. Now the Department of the Environment has said it does intend to call in the application and Reading council is expected to give the go-ahead next month. Work should start in late summer.

● Institutional investment in UK commercial property totalled £346m in the third quarter of 1984, according to government figures released this week. In the third quarter of 1983, the total was £340m. The figures bring the total spent for the first nine months of 1984 to £1.1bn compared to £1.06bn in the same period of 1983. Investment by insurance companies in the third quarter of last year amounted to £236m against £172m in the same period a year earlier while pension fund investment stood at £115m against £142m in the third quarter of 1983.

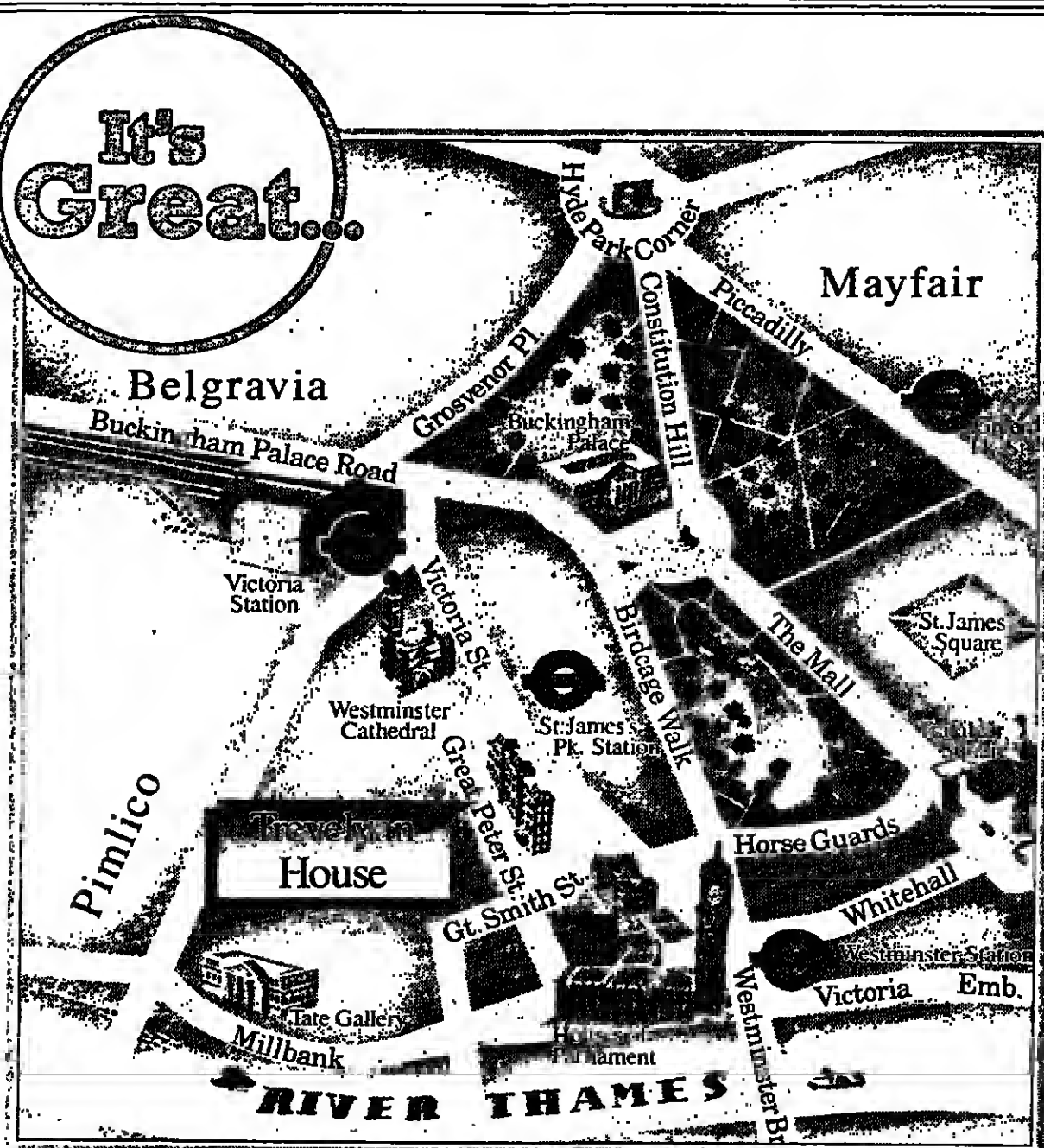
● Public real estate syndicators in the U.S. raised record \$8.7bn in 1984, according to Stephen Rousac, the San Francisco-based real estate advisors. The record figure was reached despite uncertainties caused by Treasury Department tax proposals.

● The Bedford Estates have let their refurbished 2,900 sq ft office building at 43-49 Russell Square to Henry (Europe). Asking rental: about £120,000 a year was realised through letting agents Elton and Partners and Chestertons.

● Wandsworth council has approved the proposed redevelopment by Compact Retail Developments on the Falcon Lane goods yard site at Clapham Junction. It included 100,000 sq ft of offices for the Public Services Association and a shopping arcade. Anthony Green acted for Compact, which acquired the site last year from British Land.

● Drivers Jones has been appointed to value the Welsh Development Agency's entire property portfolio. The Agency was established in 1976 and has since developed 7m sq ft of commercial floor-space. The total portfolio now stands at over 20m sq ft and.

● The Hastings office market is looking "exceptionally buoyant" according to L. S. Vail, the agents, who expect top rents this year to rise from around £10.50 a sq ft to £12.



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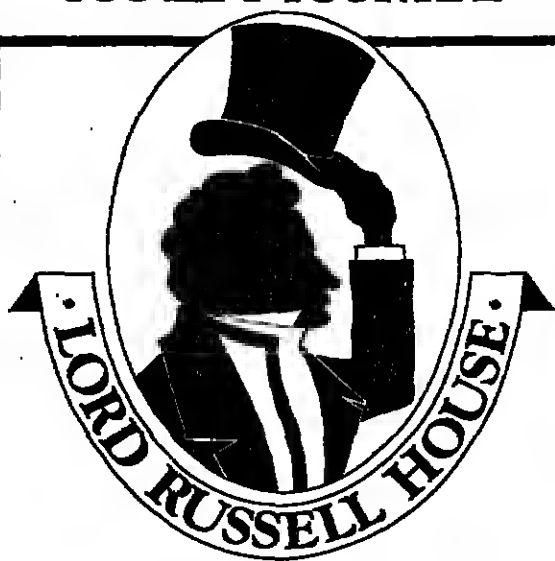
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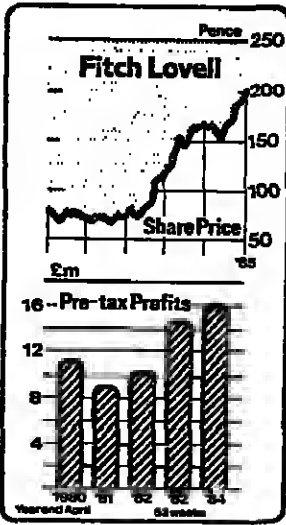


## UK COMPANY NEWS

# Rise in pig prices cuts £0.6m from Fitch profits

A RISE in pig prices to "unprecedented levels" has brought about a £0.6m fall in interim taxable profits at Fitch Lovell, but the drop would have been more than £2m were it not for the "good progress" made by other important subsidiaries.

Mr Geoffrey Hawkins, chairman and chief executive of this food manufacturer and distributor, says that there are now positive signs that pig prices are falling, but it is still too early to assess exactly when normal conditions will return. He calls the price dip "disappointing" — the 28 weeks to October 27 1984 produced £7.02m pre-tax against £7.63m.



In certain major subsidiaries the additional costs associated with the rising pig price could not immediately be recovered in selling prices, depressing profits by over £2m. Advances by other subsidiaries — particularly frozen foods, the specialist distribution companies, and the group's acquisitions — narrowed the short fall. The chairman regards the progress made here as significant for the future.

The directors have declared a 0.5p increase in the interim dividend to 3p net per share — they believed for some time that a higher proportion should be paid at the interim stage. Such an adjustment was "particularly appropriate" having regard to the group's liquidity position. Earnings per share are quoted down from £2.7p to £2.4p. The payment last time totalled 2.2p.

Group sales, before taking into account acquisitions and dis-

posals during the period, advanced by nearly 10 per cent, says the chairman. When these are included, group turnover is shown at £240.34m against £248.36m. Interest charges took £1.09m (£944,000), and there was a £255,000 contribution from associated companies last time.

The tax charge was virtually unchanged at £2.03m, and ordinary dividends will account for £2.12m (£1.72m), allowing the group to retain £2.85m (£3.87m).

Commenting in detail on the half-year's trading, Mr Hawkins says that under the impact of difficulties in the pig market the

profit of Millers, Robich and Lovell & Christmas (Hatters) declined substantially. Tunnors and Truran & Tarr, the two newly-acquired convenience and chilled food manufacturers, were able to withstand the raw material cost pressures and both advanced strongly in the sale of new ranges of added value products.

**comment**

With high pig prices affecting both demand and margins, this hiccup in Fitch Lovell's impressive growth trend over the past couple of years comes as no surprise given that around half the group's earnings derive from pork-related products. The big question is whether the latest easing in prices will hold or, as the company hopes, will continue to fall, a judgment difficult to make as pig prices are as unpredictable as most other commodities. This clearly imposes an element of caution over the short-term outlook and explains why the company ducks a comment for the second half, preferring to take the longer view. With the rest of the business benefiting from remedial action and continuing growth, this suggests that profits may well mark time this year or perhaps just get to £16.5m. On this basis with a historical tax charge, the prospective multiple is 13 on a price at 198p, down 10p, a rating with a small premium to the sector. On pure trading grounds this is difficult to justify at the moment but there is some support from bid speculation.

## Bass 'gains market share every month'

IN THE past few weeks beer volume sales at Bass have continued to improve and profits for the first quarter of the current financial year show a "material" improvement over the corresponding months of 1983/84.

Revealing this at yesterday's annual meeting Mr Derek Palmer, the chairman, said lager was continuing to do well and ale was ahead. He was not prepared to give volume breakdowns but pointed out that the group was "gaining market share every month".

Shareholders were told that the group was firmly in favour of a relaxation of licensing laws.

Mr Palmer said: "It is our view that relaxation is something that many of our customers want and we are therefore in favour of some relaxation."

In general terms, Bass hoped that the laws would be relaxed so that each individual pub could meet its local requirements.

The chairman added: "Until a change in the licensing laws has been passed by Parliament no good purpose would be served by discussing possible changes with our tenants and managers."

"We are, however, confident that our present procedures and agreements will cover any change if and when it comes."

## Alison Hogan looks at the revamp of a capital-starved business Renold brought back from the brink

RENOID, A maker of power transmission products and machinery, is raising £5m through a 3 for 5 rights issue and effecting a capital reconstruction, which will allow it to resume dividend payments, in the next financial year.

A new management team led by Mr Nigel Blackstad has, in three years, brought the company back from the brink of closure, through drastic reorganisation, including factory disposals and halving the labour force to around 5,000.

The company's two main businesses, the manufacture of chains where it is still a world leader, and of gears were suffering from gross overcapacity, according to Mr Blackstad. The businesses had been starved of capital investment which the management is working fast to remedy.

Renold used to be a strongly centralised company, with its headquarters in Manchester. Mr Blackstad has completely reversed the administrative structure pushing responsibility down the line, giving divisions much greater autonomy, with its own managing director and sales force.

Reconstruction costs led to a 100 per cent increase in shareholders' funds of £41m at the end of the year. The £5m rights issue will bring the figure up to £46m. The company expects to continue its programme of capital investment and new product development.

The company expects to finance further investment out of earnings so that borrowings

should continue to come down. The directors forecast a pre-tax profit of £4m for the year to March 1985. The company made £1.4m in the six months to November, the first profit since 1981 when it made a modest £2.3m compared with £1.1m in 1977.

Shareholders will receive details of the capital reconstruction, approved by the courts, with the rights issue document. The £1 stock units have been converted into 25p shares. The reconstruction in effect, has been to eliminate the £22.56m distributable deficit. The directors intend to resume payment of ordinary dividends in the next financial year ending March 1986.

Total dividend for the year is expected to be at least 2p net. The directors say this should be a level "which should represent a major step towards restoring to ordinary shareholders a reasonable return on their investment."

In the traditional cables and gears areas, the company will be updating machinery and technology to give it greater productivity and flexibility to respond to customer requirements.

Renold sees the greatest growth potential in newer, higher technology business. The proportion, already accounting for around 20 per cent of turnover, is expected to rise. The company is increasing research and development spend by 20 per cent this year.

Within the Machinery division, which makes pharmaceutical equipment, products include a pill and tablet-making machine



Mr Nigel Blackstad... leading Renold through a drastic reorganisation

and packaging machine. Overseas buyers include China which is beginning to produce the contraceptive pill in large quantities. Renold, already a major manufacturer of rotors, is now selling a new range of rotor milling machines. Another new range which the group has developed

consists of low-cost, high-performance hydraulic motors and electronic variable speed drives. News of the £5m rights issue was well received in the market and the shares rose 2p to 53p. The merchant bank J. Henry Schroder Wagg has underwritten the issue of 24.2m shares of 25p each at 39p per share.

## Confident KLP gains clients

THE KLP Group has made substantial progress in its first full year as a public company and new client gains and a continuing increase in sales promotion expenditure have provided a "confident" start to the current year.

A final dividend of 1.5p lifts the net total to 2.5p net per share, a 56 per cent improvement on the previous year's single payment of 1.6p.

Pre-tax profits for the year to September 30 1984, rose from £348,000 to £341,000, an increase of 53 per cent, while turnover improved from £5.4m to £5.88m, an advance of 69 per cent.

KLP is the UK's largest independent sales promotion consultancy. Along with its results it is spending up

to £300,000 on the acquisition of Robert Guy Services.

**comment**

When KLP joined the USM in the summer of 1983 the potential to use its paper to fund acquisitions was of prime importance. Robert Guy marks the beginning of that strategy. Guy can make £100,000 a year pre-tax and has been bought for a multiple of under 34 times its earnings. No doubt KLP, on a historic rating of 33, would have been more than happy to fund the whole purchase with equity. But as good a deal as this may appear, it is a relative minnow and the group will be looking for something more substantial before very long. The advertising market has become increasingly

international in concept and there is no reason to suppose that sales promotion will not go the same way. The group already has a significant position in the UK and given the recent creation of 23 per cent owned KLP International, the pointers seem pretty clear towards an overseas purchase. Yesterday's figure, therefore, endorses the market's enthusiasm for the stock. At a time when the sales promotion sector is growing by around 15 per cent KLP's sales are up 70 per cent and profits by 53 per cent. Undoubtedly the kudos of a quote has helped attract business but that is a short term feature and growth of 35 per cent might seem a more realistic expectation over the next couple of years (acquisitions excluded).

Meanwhile, London-based Bass is continuing with talks that could give it its first foothold in China. Mr Palmer disclosed that the group was currently involved in exploratory discussions on advising on the modernisation of a brewery near Peking.

At Vaux Breweries AGM the directors said they were "cautiously optimistic" about prospects for the coming year. They added that the company was currently planning a new livery and undertaking a further advertising campaign to increase its market share in the north east of England.

The meeting was told that no takeover approach had been received. In the event of a bid being made the directors said they would "fight any unwelcome attack with all the weapons at their command."

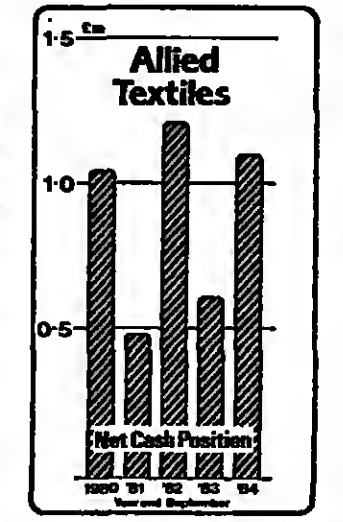
## Allied Textiles advances to £4m and cash grows

CONTINUING progress shown at the half-year stage, Allied Textiles Companies showed an advance in pre-tax profits from £3.5m to £4.7m for the year to the end of September 1984, with £2.7m, against £2.0m, coming in the second half.

The pre-tax figure included a rise in textile profits from £2.34m to £3.22m on sales up 16m to £32m. Realised gains received from financial activities slipped from £1.16m to £0.92m. Unrealised gains to the balance sheet came to £1.7m (£1.6m). Cash and investments stood at £17.7m (£12.4m) with a market value of £10.45m (£13.56m).

The final dividend has been raised to 2.5p from 2.1p, which lifts the total from 7.24p to 7.96p. Earnings per share are shown down to 31.4p. A one-for-10 scrip is also proposed.

Turnover at the Huddersfield-based manufacturer, processor and distributor of textile products, grew by £5.5m to £13.98m. The interests, in leasing and property



Textile, whose margins must be the envy of most of its competitors. On the textile side, its products have been simple; get out of the rat race of competing with the Third World in traditional textiles and concentrate instead on added-value products in more up-to-date styles by the use of new machinery and the likes of flame-proof protective clothing. With organic growth across the board, the formula clearly works, helped along in fine style by the weakness of sterling, which has helped exports to countries such as the U.S., Japan and Germany.

Along with the textile side, the company has been simple; get out of the rat race of competing with the Third World in traditional textiles and concentrate instead on added-value products in more up-to-date styles by the use of new machinery and the likes of flame-proof protective clothing. With organic growth across the board, the formula clearly works, helped along in fine style by the weakness of sterling, which has helped exports to countries such as the U.S., Japan and Germany.

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## Unlisted placing to value Bluebird Toys at £5.3m

BY STEFAN WAGSTYL

Bluebird Toys, a company which makes the Big Yellow Teapot and other toys for toddlers and young children, is going public with a stock market capitalisation of about £5.3m.

Brokers Simon and Coates is bringing Bluebird to the Unlisted Securities Market, placing 1.47m shares at 36p. Of these, 600,000 are new shares sold to raise £433,000 net for the company.

The other 871,000 shares are being sold by the directors and their institutional backers, primarily by the company's founder, chairman and chief executive Mr Torquill Norman. After the placing, the board's stake in Bluebird will fall to just over 27 per cent, including Mr Norman's interest of just under 25 per cent. Slightly less than 25 per cent will be placed on the market.

Bluebird has grown rapidly since it was established in Swindon in June 1980 by Mr Norman, former chairman of the Berwick Timpco toy company.

Bluebird moved from a small loss in the first 18 months of trading to pre-tax profits of £245,000 in the year to December 1983 and £778,000 on sales of £5.57m last year. Earnings per

share after a 45 per cent tax charge were 7.09p, putting the shares on a multiple of 12 on the placing price. Bluebird is not making a profits forecast but plans a single 3.15p net dividend for the current year, giving a 5 per cent yield at the placing price.

The company, which was voted British Toy Producer of the Year for 1984 by the National Association of Toy Retailers, estimates it has about 1 per cent of the UK toys and games market. Bluebird believes the outlook has improved for British toy manufacturers following the deep recession between 1979 and 1983, which claimed several victims among leading manufacturers, including Mr Norman's former company Berwick Timpco which went into receivership in 1983.

Bluebird makes a range of 32 different products, mainly out of plastic, including toys for the 3 to 8 years age group, preschool toys and flasks and lunch boxes for children. The customers are all major retail and mail order companies across the country.

The shares are being placed next Monday; dealings are to start on February 2.

The Lombard 14 Days Notice Deposit Rate is

**12%**

per annum

Minimum deposit £2,500

The Lombard Cheque Savings Rates are

**11½%**

per annum

When the balance is £2,500 and over

**9½%**

per annum

When the balance is £250 to £2,500

**Lombard North Central** 17 Bruton St, London W1A 3DH. For details phone 01-409 3434 Ext 484

## Granville & Co. Limited

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27/28 Lovat Lane London EC3R 9BB Telephone 01-621 1212

### Over-the-Counter Market

High	Low	Company	Price	Change	Gross Yield	P/E	Fully Paid
144	123	Ass. Brit. Ind. Ord.	181	—	10.0	8.8	8.8
151	135	Ass. Brit. Ind. CULS.	181	—	8.4	12.3	8.8
42	26	Armstrong & Rhodes	35	-2	1.5	7.8	13.7
136	108	Bardon Hill	139	—	3.4	2.5	12.7
58	42	Bay Technology	173	—	1.5	7.1	5.7
201	173	CCL Ordinary	173	—	1.5	7.1	5.7
162	114	CCL 10pc Conv. Pref.	114	—	15.7	12.4	—
810	700	Carbideum Ltd.	700	—	1.5	7.8	13.7
86	84	Carbideum 7.5pc Pf.	84	—	10.7	12.4	—
118	83	Carbideum Group	83	—	1.5	7.8	13.7
73	61	Carbideum Services	61	-5	8.1	10.2	8.8
274	192	Frank Horsell	274	+2	8.8	4.1	8.4
236	170	Frank Horsell Pr. Ind. 87	170	—	8.8	4.1	8.4
31	25	Frederick Perfor	25	—	1.5	7.8	13.7
60	33	George Blair	60	—	1.5	7.8	13.7
285	213	James Burrough	227	—	15.0	7.8	13.7
218	181	Isa Group	181	—	1.5	7.8	13.7
124	105	Jackson Group	105	—	1.5	7.8	13.7
82	71	John Howard and Co.	82	+2	13.7	4.8	9.8
148	109	Linguaphone Ltd.	148	—	6.0	6.0	8.8
100	83	Linguaphone 10.5pc Pf.	83	—	15.0	15.8	—
602	300	Minihouse Holdings NV	300	—	3.8	0.8	43.3
120	31	Robert Jenkins	32	—	5.0	10.2	8.8
80	26	Scruttons "A"	29	—	5.7	10.2	8.8
444	370	Travian Holdings	370	—	1.5	7.8	13.7
27	17	Unilever Holdings	25	—	1.2	5.1	20.7
96	51	Walter Alexander	96	-2	7.8	7.8	11.8
247	228	W. & Yates	228	—	17.4	7.7	6.4

Prices and details of services now available on Prestel, page 48146

## ROTHSCHILD ASSET MANAGEMENT (CI) LIMITED

St. Julian's Court, St. Peter Port, Guernsey. 0481 26741/26331

### OLD COURT CURRENCY FUND LIMITED

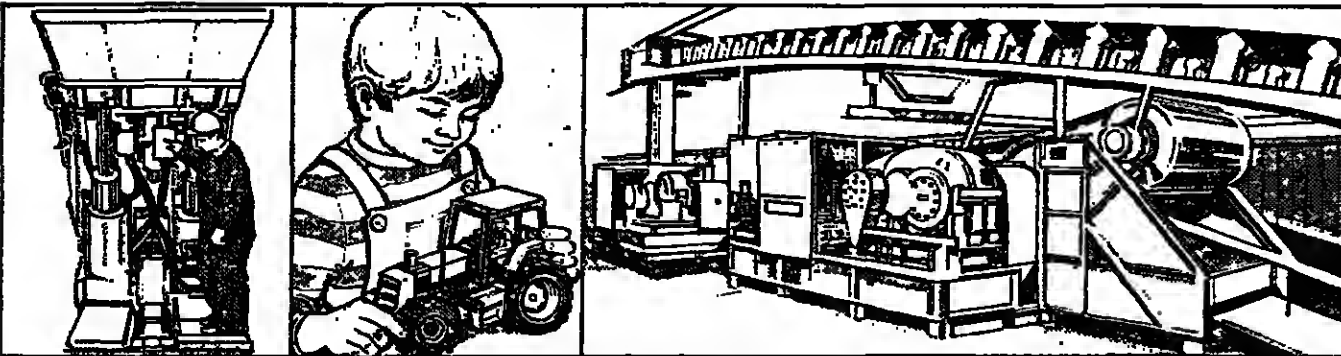
	£	10.225	10.032
Sterling	AS	15.319	10.242
Australian Dollar	CS	20.452	8.11
Dutch Guilder	DFL	50.495	4.57
Swiss Franc	OKF	153.988	9.95
Deutsche Mark	DM	81.839	4.40
Belgian Franc (FIN)	BFR	81.839	8.92
French Franc	FFr	102.210	13.45
Hong Kong Dollar	HKS	101.606	5.01
Italian Lira	L	30.41	13.45
Singapore Dollar	S\$	25.867	4.44
US Dollar	SwFr	30.1285	4.72
Japanese Yen	Y	15.32	5.05
O.C. Managed	£	3,545.23	10.21853



One of the new Series 3 brushless alternators from Markon. Two new products from the Kango and Wolf power tool ranges. Schopf F356 aircraft towing tractor.

## Dobson Park.

£10.8 million cash expended on new and replacement investment. Balance Sheet remains strong.

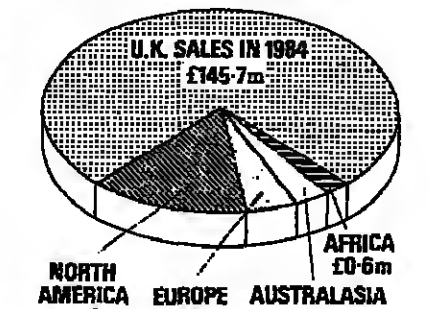


Gulick Shield support with Electroshield control. Toy Tractor from Broadland Farm Range. FSW belt conveyor drive system.

## Mining Equipment Division does well in adverse conditions.

**Comments by the Chairman, Mr J. J. Francis.** The progress of the Group's recovery has been inhibited by the UK mining industry strike. The Power Tool Division recovery continued with strong sales of the Kango range and will be enhanced by an accelerated rate of introduction of new Wolf products. Confidence in the future again leads us to recommend a final dividend of 3.31p as last year.

We acquired Britains Ltd. in February and this places the Group in a significant position in the UK toy manufacturing industry with exports of over









# Hammerson paying £59m for Rank's Canadian properties

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

The Rank Organisation's long involvement in commercial property investment finally came to an end yesterday when it sold its Canadian property interests to the Hammerson group for £59m (US\$95m).

Last year, under the new management's extensive programme of asset disposal Rank sold its UK property interests to British Land for £68m and raised another £8.5m when it disposed of its Belgian portfolio to Wereldhave, the Dutch property group.

The Canadian properties were valued last May at \$110m. Rank says that if they had been sold separately over a longer period at prices reflecting the valuations, net proceeds would have been about \$11m below the Hammerson offer. This was because the company would have faced withholding taxes incurred in repatriating the proceeds, together with Canadian capital gains tax liabilities.

For Hammerson, the deal represents another major expansionary step overseas and means that one-third of the group's total portfolio is now located in Canada. A year ago, it paid \$47m for Mascan Corporation, the loss-making Canadian property group.

Under the terms of the sale, Hammerson is acquiring all the share capital of Rank City Wall Overseas, which holds the Canadian properties through Rank City Wall Canada.

The portfolio comprises five properties and in the year to October 1984 they contributed £57.3m to Rank group profits.

The properties involved are a 500,000 sq ft office and retail investment at Bloor Street, Toronto, another office building



Mr Sydney Mason, the chairman of Hammerson... acquiring an attractive property portfolio at a discount in excess of 25 per cent.

of 80,000 sq ft in the same city, a 185,000 sq ft office block in Calgary and another 148,000 sq ft office building in Vancouver. The Vancouver property, with 60,000 sq ft vacant, is the only building not fully occupied. The \$2.2 property in the package is the Shepherd Centre in Toronto, held on a short lease.

Hammerson paid cash for the Rank share and is financing the acquisition with a seven-year, Canadian dollar bank loan. Mr Sydney Mason, the chairman of Hammerson, said the group was acquiring an attractive property portfolio at a discount in excess of 25 per cent.

It seems likely that the Vancouver building will be sold on.

The group was not anxious to acquire the short lease on the Shepherd Centre but, Mr Mason said, "it formed a part of the Rank package."

Hammerson acquired substantial tax losses along with Mascan, so if it sells any of the newly acquired properties it should be shielded from any further tax liability. The deal has the approval of the Foreign Investment Review Agency.

In the wake of its large assets disposal programme Rank is offering a mortgage to convertible loan bondholders, in return for freedom to dispose of up to 15 per cent of group assets and profits without breaching the trust deed. If the plan is accepted, the annual rate of interest on the convertible loan will rise from 4.25 per cent to 5 per cent.

The Hammerson deal spells the end of Rank's involvement in property investment markets, originally regarded as an important asset base for its domestic and international operations.

The group's involvement in commercial property goes back many years and stems from its nationwide cinema interests, which gave it numerous prime sites in High Streets around the country. Since the arrival of new management, under chairman Sir Patrick Meaney, the investment properties have been yielding actively.

At one stage, the group's international portfolio was estimated to be worth up to £175m, but the disposal programme has invariably reflected a large discount to market values, given Rank's eagerness to sell quickly and in large packages.

See Lex

# Chubb's bid advisers appeal to Panel

Racal Electronic's warning on Wednesday of a lacklustre second half performance has attracted the attention of County Bank which was unsuccessful in its attempt as advisers to ward off last year's takeover of Chubb & Son.

County Bank said yesterday that it had approached the Takeover Panel to discuss Racal's profit forecasts. At the time of the hostile Racal bid, it expected this year's profits to show a "good" improvement, although it did not spell out any figures.

Mr Tim Barker, director general of the Takeover Panel, yesterday declined to discuss the Racal case but said: "In general terms if a company misses a forecast we expect to talk about it, and to ask about the reasons why."

"We would also expect to talk to representatives of the company concerned," he added.

Racal said yesterday: "We have not been approached by County Bank nor any other organisation, including the Takeover Panel. Neither have we been approached by any other merchant bank advisers."

Wednesday's announcement was accompanied with a 48p fall in Racal's share price, knocking some £27m off the company's value on the London Stock Exchange. At last night's close the shares had fallen a further 24p to 216p.

# Crown Intl. set for the USM with £3.5m value

BY GORDON CRAM

Crown International Productions, a film and video production company largely staffed by former BBC employees, announced yesterday that it intends coming to the United States to seek financing for a film.

Crown yesterday sold its 20 per cent stake in MME Facilities, another film business, for £1.25m to institutions and private investors as a prelude to the launch.

At the head of both companies is Mr Gordon Currie, a chartered accountant, for whom this will be a second USM deal — MME has been listed there since 1983, although it is this week in the process of being taken over by Panorama and Money Programme producer. BBC presenter Mr Peter Hobday is also on the board.

Mr Currie expects Crown, based in Glasgow, to be capitalised at a "minimum" of £3.5m. He said pre-tax profits of 200 to 250 outside investors.

He is, however, planning an "initial" "in similar field" sale of the MME/Capital stake was "to clear the decks for that and the launch itself."

About 40 per cent of Crown's equity is already in the hands of 200 to 250 outside investors. Greenstar Leisure, another of Mr Currie's companies, holds 30 per cent as does an associate, Motcom Film.

Currie's other film Crown shares will be issued, bringing the total to 5m. Mr Roger Jeffries, of Statham Duff, brokers to the issue, said yesterday: "We had been thinking of a price of around 60p, but maybe that will go higher." Existing Crown shares currently trade at 64p to 66p.

The prospectus is expected out on March 14, and dealings should start the following week.

# Scot. & Heritable makes third rise in Hoskins bid

BY CHARLES BATCHELOR

Scottish Heritable Trust yesterday increased its takeover bid for Hoskins and Horton for the third time, which put a value of £9.2m on the hospital equipment, engineering and quarrying group.

The Trust, which already holds a 28.5 per cent stake in H & H, has been fighting a leapfrog battle for the past two months with LMI for control of H & H. LMI has an agreed bid worth £9.9m for H & H on a takeover.

Apart from an increase in the value of its bid, the Trust yesterday announced that it had reached an agreement to sell H & H's quarries to Ticon, the construction arm of BTR Group, for £5m. LMI has an agreement with Redland, the building materials group, for it to take over H & H's quarries for just under £4.5m. If its bid goes through, LMI said it had not decided how to respond, but it had begun discussions with Redland.

The latest LMI offer, made on January 8, is now worth 320p per share. LMI was unchanged at 188p yesterday. Its offer comprises seven of its own shares for every four H&H. It is offering a cash alternative worth 300p per share. As part of the agreement to acquire the quarries Ticon will share any capital gains tax liability falling to the Trust.

# Authorities join in row over BP's plans for Selstrust

BY JOHN McILWREATH IN PERTH AND IAN HARGREAVES IN LONDON

THE West Australian government has stepped into the row between British Petroleum and the minority shareholders of Selstrust Holdings over the future of the Australian mining company.

Mr John Hogoo, chairman of the Western Australia Development Corporation (WADC), a state-owned body set up last year by the ruling Labor Party, said he planned to open talks immediately with BP to try to head off the proposed liquidation of Selstrust.

BP, which owns 75.4 per cent of Selstrust, has said the company should seek voluntary liquidation following the rejection earlier this week by minority shareholders of a reorganisation plan.

The UK company has agreed to discuss the development control plan with the WADC, formulated with the help of Hill Samuel. The Selstrust board is due to put the voluntary liquidation plan to shareholders on February 28.

BP has said that liquidation is the best way of dealing with the loss-making Selstrust, since it raises the possibility of the company being sold as a whole. In Australia, it is being suggested that BP's strategy may be to make a bid for complete control of Selstrust through the liquidator. BP, however, appears willing to consider any outcome which is speedy and involves better terms for the Selstrust assets than

# Northgate production hit by falling gold price

BY ANDREW GOWERS

THE disappointing gold price yesterday inflicted yet another wound on the Canadian mining industry, with the announcement that Toronto-based Northgate Exploration plans to cut production from its Chibougamau mine by about 30 per cent.

Mr John Kearney, executive vice-president, said the reduction was in response to the further deterioration in metal prices and the need to ensure that Northgate continues to make an operating profit at the mine level and avoids cash losses.

At least five Canadian gold mines have suspended production altogether in recent months. Canadian producers, unlike South African companies, have not been insulated from the weak gold price by the fall in their currency.

# COMPANY NEWS IN BRIEF

Talbot Group, a holding company with interests in aerosols, industrial hygiene products and rubber mouldings, turned a pre-tax loss of £617,000 into a £2,000 profit for the year ended July 31, 1984.

Turnover in the contract filling division increased from £62.1m to £70.2m and profits from £105,000 to £370,000. The improvement was due to the opening of a new contract filling plant in the current year.

The industrial hygiene division returned profits of £31,000 (£27,000 on a turnover marginally higher). Trading remains very competitive but profitable. The rubber products division incurred a loss of £31,000 (£14,000 on a turnover of £214,000) and continues to operate in a very competitive climate.

The board continues to take steps to stem the losses and to seek a long-term solution for this division. The aerosol supply division improved its turnover in its second year of operation and losses were reduced from £26,000 to £12,000.

The board expects an improved result from this division in the current year and anticipates a small contribution to group profits.

Current results remained "very encouraging," Sir Peter Reynolds, chairman of Banks & Reynolds, told the annual meeting.

As already known, an improvement in pre-tax profits of £7m (£5.1m in the last full year) to September 1, 1984, included the first results from divestment and rationalisation measures taken over the previous three years. Sales came to £1,238m (£1,188m). At the end of 1984 profits of this food manufacturer and processor were "well ahead" of the previous year and the directors expected results for the full first half year to compare well.

After plunging £245,000 into the red over the second six months of 1983-84, Ballite, manufacturer of synthetic rubber and plastic precision

seals, has moved back into profit and is cautiously optimistic about the remainder of the current year. For the opening 26 weeks to October 1984 pre-tax profits advanced by £113,000 to £285,000. The interim dividend is held at 3p net per 50p share from earnings 2.2p ahead at 5.5p—final of 4.5p was paid last year. Turnover totalled £7.65m (£5.55m). Tax accounted for £111,000 (£84,000). The attributable balance came through at £151,000 (£85,000).

Portsmouth & Sunderland Newspapers achieved taxable profits of £193m, against £146m, over the 39 weeks to December 29, 1984 on turnover of £32.61m compared with £25.18m. Earnings per share were stated as 9.7p (14.5p), after a tax charge of £74,000 (credit £259,000).

The offer for sale of shares in Alexandria Workwear has been heavily oversubscribed at least 50 times. Samuel Montagu, which offered 429m shares at 100p to give a market value of £11m, will publish details of the basis of allotment tomorrow. Dealings in the shares will begin next Thursday.

Pre-tax profits rose by just £38,000 to £48,000 at Demmans Electrical in the 1983/84 year, and Mr Arnold Demmans, the chairman, describes the outcome as "disappointing". Turnover was up 22m to £17.61m. "Profits were adversely affected by an unusually high level of material for bad debts and by continuing reorganisation costs," he explains. The main business of the group is the distribution of electrical equipment.

The directors are recommending a final dividend of 2.25p net per share for a 3.5p total for the year to September 30, in line with forecasts. Earnings per share are given as 13.38p (16.44p) after a tax charge of £123,000 higher at £398,000.

# APPOINTMENTS

## International director for Plessey Company

The PLESSEY COMPANY has appointed Mr Alan Jones to the newly created post of international director of the international company with responsibility for Plessey's operations outside Europe and North America. He was managing director of the displays and sensors division of Plessey Electronic Systems. Mr Jones, managing director of Plessey Radar, has been appointed a divisional managing director of Plessey Electronic Systems. He will have overall responsibility for Plessey Radar, Plessey Displays and Plessey Alarms.

BOWRING UK has appointed Mr D. A. Smith as development director for the Scottish region. He has relinquished his position as chief executive of Bowring Smith and Raphael but remains a director, and is appointed to the boards of Bowring Macalaster and Alison Aberdeen, and Bowring Robertson Mitchell. Mr P. Raphael has been appointed chief executive of Bowring Smith and Raphael in Scotland. Mr M. W. R. Gann and Mr P. Wynn have been appointed directors of Bowring Macalaster and Alison Aberdeen. Mr H. E. R. Spencer has been appointed a director of Bowring Macalaster and Alison Aberdeen. Mr W. R. Brett has been appointed a director of Bowring Macalaster and Alison Aberdeen. Mr D. G. Lewis, district marketing manager, Barclays Bank.

Mr John Leigh has been appointed sales and marketing director of CHAPMAN ENVELOPES, part of Chapman Industries. The following have been appointed directors of D. GARDNER: Mr W. Alkum, senior manager, Gridplays Bank Group; Mr R. A. Daley, vice president, Bankers Trust; Mr D. G. Lewis, district marketing manager, Barclays Bank.

Mr Peter Shaw, commercial director of ELLIS JONES (Stockport), is taking up a new appointment on March 1, and is remaining on the board in a non-executive capacity for a limited period.

GRANDFIELD ROK COLLINS FINANCIAL has appointed Ms Judy Bassett to the board, as advertising account director. She joined in April 1983.

Mr Peter J. C. Kershaw joins the board of STANHOPE SECURITIES next month. He is an executive director of St Martins Property Corp. Stanhope Securities is controlled by Mr Stuart Lipton. Mr Kershaw previously worked with Mr Lipton at St Martins Property Corp. In his new role he will be responsible for co-ordinating the redevelopment of the Broad Street, Station/Liverpool Street area. Mr Kershaw has been responsible for the development of London Bridge City. Following his resignation from St Martins Property Corp, Mr Kershaw has been appointed deputy managing director of the London Bridge City Development. Mr Stephen Card has been appointed deputy project co-ordinator.

Mr Michael C. Chambers has been appointed a director of CARDNER MOUNTAIN & CAPEL-CURE AGENCIES, a subsidiary of Hogg Robinson Group. Mr John G. Hogg, a deputy chairman of the Group, retires on January 31.

PERKINS ENGINES has appointed Mr David Ford to the newly created post of director. Perkins Shrewsbury operations. He is currently Perkins Engines director systems development. Mr Ford takes over from Mr Peter Jackson, who, in addition to his responsibilities as Perkins director of personnel and employees relations, has occupied the post of deputy managing director of the Shrewsbury operation since Perkins acquired the diesel

engine business of Rolls-Royce Diesels International in March 1984.

LEONARD GROUSE ASSOCIATES has appointed Mr R. K. Watkins, chief, secretary, to the board. Lord Ramsey has been appointed to the board of HARRISON BROS. UNDERWRITING AGENCIES.

CHILTERN FINANCIAL SERVICES has appointed Mr G. M. Adams as an associate director.

DIXONS GROUP has appointed Mr Henry N. Lewis as a non-executive director. He is a joint managing director of Marks and Spencer.

PIRELLI GENERAL has made the following appointments: Mr Leopoldo Sassano, formerly director and manager of Telecommunications Group-Sodeta Cavi Pirelli SpA of Italy, has been appointed managing director. Mr Orlando Raimondo, who has returned to the U.S. as president of Pirelli Cable Corporation U.S.A., has been appointed managing director of Pirelli Cable Canada. Mr Colin Hale has been appointed manager of Pirelli General's power cables division at Eastleigh, Hampshire, and Mr E. G. Orlandi, who has formerly with Pirelli Cable Corporation U.S.A., has been appointed manager of the special cable division.

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DIXONS GROUP has appointed Mr Henry N. Lewis as a non-executive director. He is a joint managing director of Marks and Spencer.

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SECTION III - INTERNATIONAL MARKETS  
FINANCIAL TIMES

Friday January 25 1985

NEW YORK STOCK EXCHANGE 26-27  
AMERICAN STOCK EXCHANGE 27-28  
U.S. OVER THE COUNTER 28, 36  
WORLD STOCK MARKETS 28  
LONDON STOCK EXCHANGE 29-31  
UNIT TRUSTS 32-33  
COMMODITIES 34 CURRENCIES 36  
INTERNATIONAL CAPITAL MARKETS 36

WALL STREET

Bulls eye peaks and retreat

PROFIT-TAKING checked the surge towards new peaks in another heavy trading session and prices turned downwards at the end of the day, writes Terry Byland in New York.  
The spotlight turned on to the bond markets, where optimism on inflation brought determined retail support. Near the close, when traders were expecting favourable money supply statistics, longer-dated bonds showed gains of 1/4 points.  
Early in the session stock prices soared across the full range of the market. Share turnover quickly surpassed the previous session. Gains were clipped back at midday, however, and the last hour saw some blue chips slipping.  
The Dow Jones Industrial average closed 4.30 down at 1270.48, after reaching 1281.80 - only 5/4 points below the all-time peak. Turnover was up sharply at 162.1m shares. Yesterday's profit-taking was not unexpected after this week's rise of 50 Dow points.  
The appearance of retail buyers in the bond market provided the clearest indication yet of confidence that inflation has been brought to heel in the U.S.  
Mr Preston Martin, vice-chairman at

the Federal Reserve, said in Chicago that long-term rates "still have room to fall."  
Bond yields, currently around 11 1/2 per cent, still contain a significant element of inflationary expectation, and could fall by as much as 100 basis points within months if inflation remains subdued.  
Prices for long-dated bonds rose quickly, putting the key long bond at 104 1/4. Dealers pointed out that the key bond is additionally boosted by technical factors. Next month brings a new 30-year issue which will not be callable by the Treasury and is therefore expected to sell at a premium to existing, similar bonds.  
Heavy trading in IBM pushed the stock up 5/4 to \$133 3/4 - a move above the all-time high of \$134 1/4 would be a bullish signal to the entire stock market. IBM features in several institutional buying programmes and was heavily bought late on Wednesday when Salomon Bros were believed to be in the market for blue-chip issues.  
Prime Computer added 5/4 to \$19 in brisk turnover after results, while on the American Stock Exchange, AMDahl eased 5/4 to \$15 1/4, also after trading news.  
The Dow transportation average rose sharply again, with gains in the airline issues led by Delta Airlines, 5/4 higher at \$44 1/4 on an increased dividend and profits statement. Pan American held unchanged at \$4 1/4 after a 1.2m share block was crossed by Donaldson Lufkin Jenrette.  
But Exxon eased 1/4 to \$47 after reporting the expected slowdown in the final quarter of last year. Mobil dipped 5/4 to \$28 1/4 for similar reasons, but Stan-

dard Oil of Ohio, which is controlled by British Petroleum of the UK, added 5/4 to \$43 1/4 after results. Phillips Petroleum, still active, was up 5/4 at \$48.  
Among international, North American Phillips fell 5/4 to \$41 following results. Bowater Inc was unchanged at \$24, however. At \$26 1/4, National Distillers gained 5/4 on trading figures.  
A higher dividend did little for Pfizer, 5/4 at \$40 1/4.  
Consumer stocks saw Dart & Kraft \$1 better at \$85 1/4 and Quaker Oats 5/4 at \$34 after trading statements. But Procter & Gamble, out of favour on Wall Street for some time, fell 1 1/4 to \$55 1/4 after results. American Brands added 5/4 to \$64 1/4 on its figures but Whirlpool, the washing machine manufacturer, was 5/4 down at \$48 1/4.  
In the credit markets, short-term rates shaded easier, with a federal funds rate at 8 1/4 per cent supporting the view that the Fed is maintaining a relaxed stance.

LONDON

Institutions trigger new shake-out

HEAVY selling by institutions in London yesterday morning initially hit leading electricals but the ensuing depression spread quickly, forcing a second consecutive shake-out. The FT Ordinary index, down 18 1/2 by noon, recovered slightly to settle 12 lower at 991.7, the first time this week the index has closed below 1,000.  
The early gloom stemmed from interest rate concerns, while the later recovery was begun by hopes, perhaps this time justified, that the UK miners' strike might be settled soon.  
Glits reacted badly to the possibility of higher interest rates with longs falling up to 1/4 and shorts dropping 1/2. Index-linked issues slipped by nearly a point.  
Chief price changes, Page 28; Details, Page 28; Share information service, Pages 30-31

TOKYO

Setbacks dampen enthusiasm

A SERIES of setbacks dampened investor enthusiasm and left share prices slightly lower in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.  
One of the large securities companies said that only 20 to 30 issues were traded, among them biotechnology-related and incentive-backed low and medium-priced issues.  
The Nikkei-Dow market average opened firmer, reflecting the overnight upsurge on Wall Street. But the measure eased later to finish 2.85 weaker at 11,856.36, although turnover increased to 352 shares from 312m. Declines outpaced advances 405 to 314, with 180 issues unchanged.  
Concern has mounted over the currently high level of prices as a result of the market's sharp new year rally, as well as over the record-breaking buying balance on margin trading and tightened controls on margin issues. The buying balance hit an all-time high last week for the fourth consecutive week.  
The strong overnight rally on Wall Street gave some life to blue chips, but the issues dulled rapidly and speculative funds went instead to biotechnology-related stocks, which accounted for seven of the 10 most actively traded issues.  
Mitsui Sugar, the day's second highest, gained Y43 to Y330, with 11.85m shares changing hands. Sankyo climbed Y70 to Y1,100, Kyokuyo Y13 to Y332 and Yamanouchi Pharmaceutical Y30 to Y2,770. The issues were traded on anti-cancer agent development and other research efforts.  
Thyristor-related stocks also drew interest. Osaka Transformer headed the active list with 18.45m shares traded and put on Y59 to Y579. Meidensha Electric firmed Y23 to Y55.  
Elsewhere, Kumiai Chemical Industry added Y85 to Y335 due to higher profits from sales of a new herbicide. Nippon Flour Mills improved Y5 to Y373 on rumours that it is engaged in biotechnology development and that its shares are being cornered by unidentified buyers.

Kokusai Denshin Denwa (KDD)

soared Y700 to Y30,000 after news that it had initialled a contract with AT&T of the U.S. to lay a Pacific Ocean telecommunications cable.  
Blue chips remained out of favour, with Sony falling Y20 to Y3,900 and Fujitsu Y30 to Y1,350.  
Trading was extremely slow in the bond market. Although an overnight drop in U.S. rates sparked a wave of buying early in the day, yields closed almost unchanged. City and trust banks were occupied with dealing, while corporations and other investors maintained a low profile.  
The yield on the benchmark 7.3 per cent government bond due in December 1993 dropped to 8.485 per cent at one point from the previous day's 6.495 per cent and closed at 6.490 per cent.

EUROPE

Twinge of self-doubt apparent

A TWINGE of self-doubt generated conflicting cross-currents on a number of European bourses yesterday, but despite the continued predatory sorties of profit-takers some new peaks were established.  
A mood of uncertainty provided a sombre background to Amsterdam as the ANP-CBS General index rose 0.3 to a record level of 196.3. The internationals that had found support in recent sessions were again largely favoured in what was the twelfth peak for the bourse this year.  
Royal Dutch held the market up, despite some of the uncertainty in the oil market over prices. It gained 30 cents to F1 183 - just short of its high for the year. Unilever's F1 2 rise took it to a 12-month high of F1 338. Akzo and Philips, both of which had made good progress earlier in the week, retreated: the former fell 50 cents to F1 103.50 and the latter 20 cents to F1 59.80.  
Ahold continued to gain with a F1 1.80 rise to F1 218.30, although Heineken weakened 50 cents to F1 158.20. Elsewhere, banks posted limited losses and

insurer Nat-Ned was hit by a dose of profit-taking, losing F1 3.50 to F1 291.  
Bonds were largely unchanged but sentiment was overshadowed by uncertainty over official interest rates. The continued strength of the dollar fuelled fresh speculation about interest rate increases in West Germany and the likelihood that the Netherlands would follow suit.  
The profit-takers that dominated Frankfurt on Wednesday still lingered yesterday with widespread individual retreats, although the Commerzbank index of 80 leading stocks declined by a meagre 0.9 to 1,149.8.  
Many names that resisted the sharp downturn in the previous session finally succumbed to the pressure. Lufthansa, DM 3 stronger on Wednesday, retreated that amount yesterday to DM 188 and Siemens also incurred a loss of DM 2 to DM 493.  
Porsche, however, partially reversed the recent decline by moving against the trend in quality cars with its DM 5 rise to DM 1,089. BMW fell DM 4 to DM 373. The weakness in the banking sector persisted.

Bond prices retreated up to 80 basis points and the Bundesbank sold a small DM 1.5m of paper compared with Wednesday's purchases of DM 163.5m.  
A firmer tone continued in Paris as CIT-Alcatel rose FF 23 to FF 1,304 after agreement on a major telephone deal with China. Builder Bouygues surged FF 27 to FF 788, while losers included Damart, FF 40 down at FF 2,380, and Carrefour, which surrendered some of its earlier gains to settle FF 18 off at FF 1,801.  
The record display in Zurich took Nestlé SwFr 30 higher to SwFr 5,920, just below its peak for the year, while Sandoz added SwFr 50 to SwFr 7,900 and Hoffmann-La Roche extended its recovery with a further SwFr 750 rise to SwFr 89,825.  
Anxiety over Italian economic policy turned Milan cautiously lower, although some good gains were managed. Fiat rebounded with a L12 rise to L2,521 and Italcementi's oscillations continued with a L500 gain to L78,500.  
Other centres were mixed. Madrid gained in light trading while utilities staged a rally in a narrowly mixed Brussels. The Stockholm bourse, which is closed today for building renovation, turned lower. Asea moved against this trend with a SKr 5 advance to SKr 340, amid plans for its shares to be traded in West Germany.

KEY MARKET MONITORS				
End Month Figures				
Frankfurt Commerzbank				
Dec. 1953=100				
1980	1981	1982	1983	1984
Paris CAC General				
Dec 31, 1962=100				
1980	1981	1982	1983	1984
STOCK MARKET INDICES				
NEW YORK	Jan 24	Previous	Year ago	
DJ Industrials	1270.43	1274.73	1242.88	
DJ Transport	604.52	603.85	585.29	
DJ Utilities	147.93	148.70	131.60	
S&P Composite	176.71	177.29	165.84	
LONDON				
FT 100	991.7	1003.7	814.90	
FT 250	1274.7	1283.7	1055.2	
FT-AI-Share	613.93	618.89	494.50	
FT-A-500	673.89	679.97	528.17	
FT Gold mines	442.9	454.3	541.30	
FT-A Long gr	10.88	10.75	10.15	
TOKYO				
Nikkei-Dow	11,856.36	11,859.01	10,022.9	
Tokyo SE	928.55	929.21	780.93	
AUSTRALIA				
All Ord.	753.3	758.5	771.0	
Metals & Mins.	429.2	442.9	528.0	
AUSTRIA				
Credit Adlon	58.21	58.40	55.45	
BELGIUM				
Belgian SE	123.98	2,121.28	-	
CANADA				
Toronto				
Metals & Mins	2,124.6	2,115.8	2,375.0	
Composite	2,525.9	2,509.9	2,526.3	
Montreal				
Portfolio	127.11	128.25	123.27	
GERMANY				
Copenhagen SE	166.36	166.19	223.62	
FRANCE				
CAC Gen	195.5	193.2	171.8	
Ind. Tendence	107.3	105.4	82.6	
WEST GERMANY				
FAZ-Aktien	395.42	395.82	360.78	
Commerzbank	1,149.6	1,150.5	1,055.8	
HONG KONG				
Hang Seng	384.87	1,357.84	1,035.28	
ITALY				
Banca Com.	253.52	255.84	217.66	
NETHERLANDS				
ANP-CBS Gen	195.3	196.0	170.0	
ANP-CBS Ind	157.6	157.7	142.0	
NORWAY				
Oslo SE	320.63	322.43	239.74	
SINGAPORE				
Straits Times	789.84	785.46	1,039.58	
SOUTH AFRICA				
Gold	991.8	1,025.7	783.1	
Industrials	895.1	906.1	922.9	
SPAIN				
Madrid SE	110.14	109.32	77.48	
SWEDEN				
J & P	1,411.57	1,418.75	1,537.25	
SWITZERLAND				
Swiss Bank Ind	409.3	407.0	378.0	
WORLD				
Capital Int'l	194.5	194.1	185.4	
GOLD (per ounce)				
London	Jan 24	Prev		
Zurich	\$301.75	\$301.00		
Paris (fobing)	\$301.25	\$300.50		
London (fobing)	\$302.31	\$302.00		
London (fobing)	\$302.10	\$303.15		
New York (Feb)	\$299.70	\$301.70		
CURRENCIES				
U.S. DOLLAR	Jan 24	Previous	Jan 24	Previous
(London)	Jan 24	Previous	Jan 24	Previous
\$	-	-	1.1175	1.1105
DM	3.156	3.1796	3.53	3.535
Yen	253.7	254.35	283.75	282.75
FFr	9.6625	9.7225	10.8025	10.80
SwFr	2.655	2.6815	2.97	2.96
Guilder	3.5895	3.589	3.99	3.99
Lira	1,945.5	1,951.5	2,175.5	2,170.0
BP	63.15	63.65	70.65	70.65
CS	1,32425	1,32695	1,4815	1,475
INTEREST RATES				
Euro-currencies	Jan 24	Prev		
(3-month offered rate)				
\$	12%	12%		
SwFr	5%	5%		
DM	5%	5%		
FFr	10%	10%		
FT London Interbank fixing				
(offered rate)				
3-month U.S.\$	8%	8%		
6-month U.S.\$	8%	8 1/4%		
U.S. Fed Funds	8%	8%		
U.S. 3-month CDs	8.00	7.9		
U.S. 3-month T-bills	7.80	7.51		
U.S. BONDS				
Treasury	Jan 24	Price	Yield	Prev
9% 1987	100	9.75	99 1/2%	9.83
11% 1992	103 1/2%	10.33	102 1/2%	11.05
11% 1994	103 1/2%	11.05	102 1/2%	11.20
11% 2014	104 1/2%	11.199	103 1/2%	11.32
Corporate	Jan 24	Price	Yield	Prev
AT & T	100	9.75	99 1/2%	9.83
10% June 1990	98 1/2%	11.20	98 1/2%	11.20
3% July 1990	75	10.00	75	10.00
8% May 2000	77 1/2%	12.00	77 1/2%	12.00
Xerox	100	9.75	99 1/2%	9.83
10% March 1993	95 1/2%	11.45	95 1/2%	11.45
Diamond Shamrock	100	9.75	99 1/2%	9.83
10% May 1993	95 1/2%	11.50	95 1/2%	11.50
Federated Dept Stores	100	9.75	99 1/2%	9.83
10% May 2013	87	12.70	87	12.70
Abbot Lab	100	9.75	99 1/2%	9.83
11.80 Feb 2013	98 1/2%	11.95	98 1/2%	11.95
Alcoa	100	9.75	99 1/2%	9.83
12% Dec 2012	98 1/2%	12.40	98 1/2%	12.40
FINANCIAL FUTURES				
CHICAGO	Jan 24	High	Low	Prev
U.S. Treasury Bonds (CBT)				
6% 28nds of 100%				
Mar	73-19	73-20	72-08	72-14
U.S. Treasury Bills (HBM)				
\$1m points of 100%				
Mar	92.19	92.21	92.10	92.11
Certificates of Deposit (HBM)				
\$1m points of 100%				
Mar	91.89	91.70	91.54	91.56
LONDON	Jan 24	High	Low	Prev
Three-month Eurodollar				
\$1m points of 100%				
Mar	91.28	91.30	91.21	91.27
20-year National Gilt				
£50,000 32nds of 100%				
Mar	103-25	104-02	103-03	104-05
COMMODITIES				
(London)	Jan 24	Prev		
Silver (spot fixing)	\$37.70	\$40.85p		
Copper (cash)	\$1,244.50	\$1,231.75		
Coffee (Mar)	\$2,378.50	\$2,415.50		
Oil (spot Arabian Light)	\$27.725	\$27.825		

SWITZERLAND AND GERMANY: TWO NEW LINKS IN OUR INTERNATIONAL CHAIN.

The Banco de Bilbao Group, the fourth largest Financial Group in Spain, has just opened Affiliated Banks in Switzerland and the Federal Republic of Germany. Two new links in its long-established international chain which comprises over 1,700 offices in Spain and more than 40 around the world.  
The Banco de Bilbao Group can offer you its international services in France (12 branches); the United Kingdom (5 branches); the United States (New York branch\* and Miami agency); Grand Cayman (1 branch); Milan (the only Spanish bank with a branch in Italy). Its other  
Affiliated and Associated Banks are located in Jersey, Panama and Andorra, and its Representative Offices in Portugal, Mexico, Colombia, Venezuela, Brazil, Argentina and Japan.  
In this way, the Banco de Bilbao Group places at your disposal a quick and efficient banking network, which can attend to all your business requirements almost anywhere in the world.  
Contact the Banco de Bilbao.  
\* Member of the Federal Deposit Insurance Corporation.

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**Closing prices, January 24**

Continued on Page 2

مكتبة العامة



## AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

**Closing prices, January 24**

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## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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## FT UNIT TRUST INFORMATION SERVICE

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151 Paul Churchyard, EC4P 6DX

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F.T. CROSSWORD  
PUZZLE No. 5627

ACROSS

1 Painless treatment for animals (8)

5 Best whipped or put in need sweet dish (6)

9 Stay for an execution (8)

10 Worked hard to convert voters (6)

11 Standard means processed cheese (8)

12 Possibly descriptive of bread and beet (6)

14 Tasty dish, or picture of one? (10)

18 Not against upsetting an opponent (10)

22 Vegetables with holes in them (6)

24 That work getting a century in (10)

24 (He's stupid in trying to open it without a key) (8)

25 Breezy girl of a nautical turn (8)

26 On let's make changes for the first-born (6)

27 It supports one who is lying (6)

DOWN

1 Angelic turn of phrase (6)

2 Aim for a high place in the church (6)

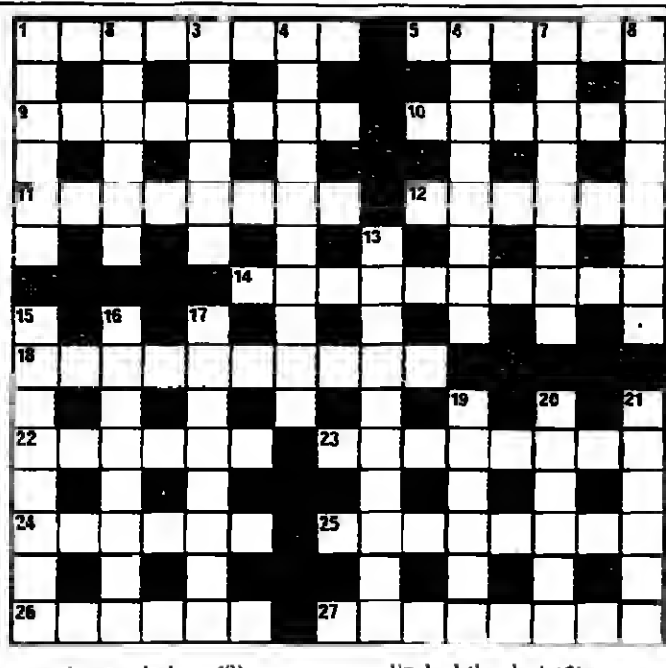
3 (s) about to revolt, but flags (6)

4 More than one very big ship is the naval order (10)

6 Certainly no favourite with society (8)

7 Transport for nothing in Hamburg, perhaps (8)

8 There is nothing amiss in (10)



such speculations (8)

13 Tricky question on immortality (10)

13 Keep for use as a hook? (4, 2)

16 Have proof of the healthy herd's condition (8)

17 They won't play principal parts (8)

19 The snail we turn up with when working out of doors? (6)

20 Earn a precarious living by adding? (6)

21 Not open for business yet (10)

## Solution to Puzzle No. 5626

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REIG  
Doll

## A correspondent explains why the factory ships have left Cornwall Falmouth bids farewell to the klondykers

Heated trawlers from Scotland and the east coast of England began to appear in the south-west following the depletion of North Sea herring stocks and the consequences of the cod war. It became clear that south south-west mackerela fishery was the most attractive winter fishery left and the bigger boats joined the fray in increasing

They were joined by growing numbers of large factory ships from the Eastern bloc. Then, however, came the EEC's 200-mile fishing limit so that the Eastern bloc vessels could no longer catch the fish themselves. This did not deter the foreign factory ships, however: they returned to the scene and instead of catching fish, transhipped them from the British catcher trawlers.

Their departure from the south-west focuses attention on Ullapool, Scotland, where mackerel transhipment operations are continuing and which has taken over from Falmouth.

## Wheat harvest in Australia nearly complete

**SYDNEY** — The 1984-85 Australian wheat crop has nearly all been gathered after a quick and trouble-free harvest in all states, the Australian Wheat Board said.

**in Australia  
nearly complete**

**SYDNEY** — The 1984-85 Australian wheat crop has nearly all been gathered after a quick and trouble-free harvest in all states, the Australian Wheat Board said.

The board has received 17.15m tonnes so far out of total expected receipts of about 17.2m, compared with receipts of 21.02m from last season's record crop of 22.06m. However, the board's 4.4m-

tonne carryover as of the end of its shipping year on November 30 will give it about the same availability as in 1983/84. The quality of the 1984/85 crop is said to be high with

relatively small receipts of  
general purpose or feed wheats,  
in contrast to the rain-hit  
1983/84 harvest.

In 1983/84, the board  
received 4.7m tonnes of  
weather-damaged general pur-

purpose wheat suitable only for feed, and 1.2m tonnes of general purpose milling wheat.

## U.S. MARKETS

PLATINUM 60 troy oz, \$/troy oz

PLATTINUM 50 Troy oz, \$/Troy oz				
	Close	High	Low	Prev
Jan	367.0	368.0	268.0	378.0
Feb	367.0	368.0	268.0	378.0
Mar	367.0	368.0	268.0	378.0
Apr	367.0	368.0	268.0	378.0
May	367.0	368.0	268.0	378.0
Jun	367.0	368.0	268.0	378.0
Jul	367.0	368.0	268.0	378.0
Aug	367.0	368.0	268.0	378.0
Sep	367.0	368.0	268.0	378.0
Oct	367.0	368.0	268.0	378.0
Nov	367.0	368.0	268.0	378.0
Dec	367.0	368.0	268.0	378.0
2002	367.0	368.0	268.0	378.0
LIVE CATTLE 40,000 lb, cents/lb				
	Close	High	Low	Prev
Jan	65.12	65.12	65.00	65.00
Feb	65.12	65.12	65.00	65.00
Mar	65.12	65.12	65.00	65.00
Apr	65.12	65.12	65.00	65.00
May	65.12	65.12	65.00	65.00
Jun	65.12	65.12	65.00	65.00
Jul	65.12	65.12	65.00	65.00
Aug	65.12	65.12	65.00	65.00
Sep	65.12	65.12	65.00	65.00
Oct	65.12	65.12	65.00	65.00
Nov	65.12	65.12	65.00	65.00
Dec	65.12	65.12	65.00	65.00
2002	65.12	65.12	65.00	65.00
LIVE HOGS 30,000 lb, cents/lb				
	Close	High	Low	Prev
Jan	57.80	51.66	51.58	51.77
Feb	57.80	51.66	51.58	51.77
Mar	57.80	51.66	51.58	51.77
Apr	57.80	51.66	51.58	51.77
May	57.80	51.66	51.58	51.77
Jun	57.80	51.66	51.58	51.77
Jul	57.80	51.66	51.58	51.77
Aug	57.80	51.66	51.58	51.77
Sep	57.80	51.66	51.58	51.77
Oct	57.80	51.66	51.58	51.77
Nov	57.80	51.66	51.58	51.77
Dec	57.80	51.66	51.58	51.77
2002	57.80	51.66	51.58	51.77
MILK 5,000 lb min, cents/100 lb				
	Close	High	Low	Prev
Jan	15.00	15.00	15.00	15.00
Feb	15.00	15.00	15.00	15.00
Mar	15.00	15.00	15.00	15.00
Apr	15.00	15.00	15.00	15.00
May	15.00	15.00	15.00	15.00
Jun	15.00	15.00	15.00	15.00
Jul	15.00	15.00	15.00	15.00
Aug	15.00	15.00	15.00	15.00
Sep	15.00	15.00	15.00	15.00
Oct	15.00	15.00	15.00	15.00
Nov	15.00	15.00	15.00	15.00
Dec	15.00	15.00	15.00	15.00
2002	15.00	15.00	15.00	15.00

supplies. G  
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	Dec	Jan	Feb	March
Dec	257.0	280.0	278.4	279.2
Jan	284.0	274.2	278.0	278.0
Feb	281.2	287.0	277.0	277.0
March	270.4	278.8	276.4	277.0
Year	282.2	284.4	282.2	284.0

PORK BELLIES 36,000 lbs, cents/lb				
	Close	High	Low	Prev
Feb	71.45	72.20	70.52	70.62
March	71.42	72.60	70.95	71.02
April	72.30	74.05	72.10	72.80
May	73.87	74.75	72.66	73.90
June	74.26	75.12	71.00	74.25
Feb	66.17	67.75	65.75	66.25
March	68.78	67.75	65.75	68.22

COTTONSEEDS 5,000 bu, cent				
cents/60-lb bushel				
	Close	High	Low	Prev
March	599.2	608.4	593.0	601.0

**ALUMINIUM 40,000**  
**Close**

	Close	High	Low	Prev
Nov	608.3	620.4	602.4	617.9
Jan	622.2	633.0	608.0	623.4
March	636.4	646.0	630.4	643.0
May	646.4	652.0	643.4	

**SOYABEAN MEAL 100 tons, \$/ton**

	Close	High	Low	Prev
March	142.5	145.2	142.4	143.7
July	148.2	150.7	147.0	149.3
Sept	153.3	155.7	151.5	154.2
August	156.7	159.0	155.5	158.2
Sept	167.5	169.0	165.0	168.0
Oct	159.0	167.6	158.0	159.5
Dec	164.5	166.5	164.0	164.0

**SOYABEAN OIL 50,000 lb, cents/lb**

	Close	High	Low	Prev
March	29.27	29.35	29.20	29.46
May	29.27	29.42	29.30	29.46
July	29.19	29.35	29.10	29.35

**SILVER 5,000 Troy**  
**Close**

	23.82	24.26	23.60	24.13
WHEAT 5,000 bu. in cents/60-lb bushel				
	Close	High	Low	Prev
March	344.4	349.0	344.2	348.4
May	340.2	344.0	340.2	344.0
July	330.8	334.0	330.4	334.0
Sept	333.0	338.0	333.0	334.0
Dec	344.2	348.0	343.6	348.0
March	348.0	—	—	348.4

549-548: March 556, 557, nil; May 561,

1,370-t,380. May  
1,451-t,506 Oc1 1,1

**COTTON**

**LIVERPOOL.**—Spot and shipment sales amounted to 100 tonnes. Minor replacements were required for **red deliveries** were not wanted until **later in the year**. Scattered operations were mentioned in Russian types, and African growths were supported in **American** directions.

\_\_\_\_\_

549-548: March 556, 557, nls; May 581,

SYDNEY GREARY WOOL-CLOTH (in order: buyer, seller, business). Australia cents per lb.

	May	June	July	Aug.	Sep.	Oct.	Nov.	Total
1967-68	587.5	594.0	584.5	594.5	594.5	594.5	594.5	594.5
1968-69	599.5	603.0	589.0	595.0	595.0	595.0	595.0	595.0
1969-70	590.0	591.0	590.0	590.0	590.0	590.0	590.0	590.0

596.0, 594.0-592.0; March 595.0, 593.0,  
untraded; May 600.0, 608.0, untraded;  
July 609.0, 615.0, untraded. Sales: 112.

**COTTON**

LIVERPOOL—Spot and shipment sales amounted to 100 tonnes. Minor replacements were required but deliveries

Scattered operations were mentioned in Russian types, and African growths were supported to audiences.

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the 1990s, the number of people in the world who are illiterate has increased by 100 million. The number of people who are illiterate in the world is 1 billion. The number of people who are illiterate in the world is 1 billion.

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the 1990s, the number of people in the world who are illiterate has increased from 1.2 billion to 1.5 billion. The number of illiterate people in the world is projected to reach 1.7 billion by the year 2015. The number of illiterate people in the world is projected to reach 1.7 billion by the year 2015.

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■ *Journal of Management Education* 32(10):1039-1046

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## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar sharply weaker

The dollar lost ground in currency markets yesterday as continued fears of central bank intervention continued to play a major part in controlling market sentiment. Despite a fairly steady start in comparison with Wednesday's trading levels in London, the dollar failed to attract sufficient demand to push it above the psychologically important DM 3.50 level.

This tended to undermine market traders and despite the absence of any central bank intervention on the open market, the dollar was sold, triggering a stop loss selling which was multiplied as the U.S. unit broke through downward chart resistance levels.

Consequently it closed at DM 3.4950 against the D-mark, its lowest close for nearly two weeks and down from DM 3.4750 on Wednesday. Against the Japanese yen it slipped to ¥233.70 from ¥233.55 and Sfr 2.6550 from Sfr 2.6615.

Against the French franc it fell to FF 6.5625 from FF 6.5725. On Bank of England figures, the dollar's trade weighted index fell to 145.1 from 145.5.

STERLING—Trading range against the dollar in 1984-85 is 1.4945 to 1.1185. December

average 1.1873. Exchange rate index 70.7, unchanged from 70.7 on Wednesday, having equalled the all time low of 70.8 during the day. The six months ago figure was 70.9.

Sterling was weaker against most major currencies but improved against the dollar. Wednesday's rumours of oil price cuts had left many people short on sterling and yesterday's trading saw some degree of correction, encouraged by the late weakness of the U.S. currency. Consequently sterling rose to \$1.1170-1.1180 against the dollar, a rise of 70 points.

It was weaker against the

D-mark at DM 3.53 from DM 3.5350 and Sfr 2.97 from Sfr 2.98, but improved against the yen at ¥233.75 from ¥233.55 and FF 6.5625 compared with FF 6.5725.

D-MARK—Trading range against the dollar in 1984-85 is 3.1935 to 2.5535. December average 3.1021. Trade weighted index 120.5 against 124.1 six months ago.

The Bundesbank sold \$18m at yesterday's fixing in Frankfurt and the dollar was fixed lower at DM 3.5190 from DM 3.5170. Early trading volume was subdued by the possibility of central bank intervention.

However these fears proved to be unfounded as there were no obvious signs of dollar sales by the central bank.

Elsewhere sterling was lower at DM 3.5350 from DM 3.5310 while the Swiss franc improved to DM 1.1885 from DM 1.1870. Within the EMS the Belgian franc rose to DM 5.00 per FF 100 from DM 4.9980 and the French franc was higher at DM 32.7 from DM 32.685 per FF 100.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Jan 24	Previous
8.30 am	70.5	71.0
9.00 am	70.7	71.0
10.00 am	70.7	71.0
11.00 am	70.8	71.0
12.00 pm	70.8	71.0
1.00 pm	70.5	70.8
2.00 pm	70.7	70.8
3.00 pm	70.7	70.8
4.00 pm	70.7	70.7

£ in New York

	Jan 24	Prev. close
1 month	81.1170-1.1177	81.1180-1.1180
3 months	81.1170-1.1177	81.1180-1.1180
6 months	81.1170-1.1177	81.1180-1.1180
12 months	81.1170-1.1177	81.1180-1.1180

DOLLAR SPOT—FORWARD AGAINST DOLLAR

	Jan 24	Day's spread	Close	One month	% Three months	% Six months
UK	1.1170-1.1210	1.1170-1.1180	0.40-0.37c	4.13	1.67-1.02	3.74
Canada	1.2325-1.2347	1.2325-1.2347	0.15-0.10c	1.49	0.30-0.43c	1.22
France	6.5625-6.5725	6.5625-6.5725	0.10-0.08c	2.31	2.08-0.25c	2.31
Germany	3.5350-3.5370	3.5350-3.5370	0.10-0.08c	2.31	2.08-0.25c	2.31
Italy	1.75-1.76	1.75-1.76	0.10-0.08c	2.31	2.08-0.25c	2.31
Japan	233.75-233.75	233.75-233.75	0.10-0.08c	2.31	2.08-0.25c	2.31
Spain	166.66-166.66	166.66-166.66	0.10-0.08c	2.31	2.08-0.25c	2.31
Sweden	10.75-10.75	10.75-10.75	0.10-0.08c	2.31	2.08-0.25c	2.31
Switzerland	2.00-2.00	2.00-2.00	0.10-0.08c	2.31	2.08-0.25c	2.31
Belgium	40.33-40.33	40.33-40.33	0.10-0.08c	2.31	2.08-0.25c	2.31
Netherlands	2.20-2.20	2.20-2.20	0.10-0.08c	2.31	2.08-0.25c	2.31
Australia	0.75-0.75	0.75-0.75	0.10-0.08c	2.31	2.08-0.25c	2.31
New Zealand	0.45-0.45	0.45-0.45	0.10-0.08c	2.31	2.08-0.25c	2.31
South Africa	0.65-0.65	0.65-0.65	0.10-0.08c	2.31	2.08-0.25c	2.31
Portugal	200.00-200.00	200.00-200.00	0.10-0.08c	2.31	2.08-0.25c	2.31
Greece	340.75-340.75	340.75-340.75	0.10-0.08c	2.31	2.08-0.25c	2.31
Turkey	1.80-1.80	1.80-1.80	0.10-0.08c	2.31	2.08-0.25c	2.31
India	47.50-47.50	47.50-47.50	0.10-0.08c	2.31	2.08-0.25c	2.31
China	8.25-8.25	8.25-8.25	0.10-0.08c	2.31	2.08-0.25c	2.31
South Korea	180.00-180.00	180.00-180.00	0.10-0.08c	2.31	2.08-0.25c	2.31
Thailand	50.00-50.00	50.00-50.00	0.10-0.08c	2.31	2.08-0.25c	2.31
Malaysia	2.50-2.50	2.50-2.50	0.10-0.08c	2.31	2.08-0.25c	2.31
Singapore	0.75-0.75	0.75-0.75	0.10-0.08c	2.31	2.08-0.25c	2.31
Philippines	0.45-0.45	0.45-0.45	0.10-0.08c	2.31	2.08-0.25c	2.31
Indonesia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Brunei	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
East Germany	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Czech Republic	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Slovak Republic	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Hungary	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Poland	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Czechoslovakia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Slovenia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Croatia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Serbia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Bosnia and Herzegovina	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Montenegro	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Albania	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Romania	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Bulgaria	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Yugoslavia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Moldova	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Ukraine	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Belarus	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Lithuania	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Latvia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Estonia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Finland	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Denmark	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Norway	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Sweden	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Iceland	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Ireland	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Portugal	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Greece	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Turkey	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
India	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
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Indonesia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
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Hungary	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Poland	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Czechoslovakia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Slovenia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Croatia	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
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East Germany	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31
Czech Republic	0.15-0.15	0.15-0.15	0.10-0.08c	2.31	2.08-0.25c	2.31







## FINANCIAL TIMES SURVEY

## REGIONAL DEVELOPMENT

Despite the high level of spending over the past 25 years, regional policy in the UK has failed to tackle many of the consequences of regional imbalance.

## Aid projects now more selective

FEW MEN could have had a more severe grilling in the House of Commons than Mr Norman Lamont, the Minister responsible for regional matters at the Department of Trade and Industry, when he unveiled the Government's review of regional policy last November.

As he sat down at the end of his prepared statement it was as though the whole of a crowded House of Commons collectively sprang to its feet to interrogate him on specific details.

Backbenchers, from his own side as well as the Opposition, peppered him with searching questions about what the review actually meant, both for the country and for their own constituencies.

What emerged at the end of a gruelling hour for the minister was that the Government had stepped even further back from regional policy, seeking to downgrade it and, by so doing, save money.

It may not have abdicated from all involvement in regional policy, as Mr John Smith, the Opposition spokesman argued, but the new rationale, in keeping with general Government policy, is to be much less interventionist.

The Government's approach had been signalled a year earlier when, in a White Paper, it stated that "imbalances between areas in employment opportunities should in principle be corrected by the natural adjustment of labour

By Anthony Moreton  
Regional Affairs Editor

markets." That is, through lower wages and unit costs. The Government admitted, however, there was little evidence that—faced by strong trade unions, and housing shortages—regional wage differentials would respond readily to variations in regional unemployment.

For this reason it concluded that regional policy would still need to be retained, but on social rather than economic grounds.

Aid would be concentrated in future on helping to cure unemployment blackspots rather than seeking to regenerate parts of the country afflicted by the blight of structural change. In other words, the old distressed areas, now slightly



TEBBIT: masterminded the present review of policy, as Secretary of State, which sought to save at least £300m a year by 1987-88.



LAMONT: responsible, as Minister of State, for finalising the policy after Tebbit was injured in the Brighton bomb outrage.



TRIPPIER: as Parliamentary Secretary responsible for small firms, he would like a network of enterprise agencies covering the country.



ROBINSON: Labour spokesman: wants a coherent and predictable structure of industrial assistance available by region and sector.

euphemistically called the development areas, south Wales, Tyneside, Merseyside, Clydeside and Teesside, could only expect to gain relief if the economy picked up as a whole, though particular blackspots arising from the closure of a works or a switch in trade, could expect some (though less than in the past) assistance.

To bring about this switch, aid has been concentrated into two tiers (intermediate and development areas) in place of the previous three (intermediate, development and special development areas); the rate of automatic grants has been cut; grants for renewal of plant and machinery have been abandoned, under pressure from the EEC; the whole system becomes more selective; the scope of regional aid has been extended more widely in the service sector; and a much lower grant-per-job ceiling, of £10,000 (with the exception of small firms) has been set.

The number of people working in assisted areas has, at the same time, been expanded to cover 36 per cent of the working population compared with 27 per cent last year.

This largely reflects, however, the granting of intermediate area status to the West Midlands which now has a rate of unemployment higher than

Scotland. As such it is an indication of the flexibility that is needed in regional policy.

The move towards greater selectivity, provoked by the way in which very large capital projects had been swallowing enormous sums, while producing relatively few jobs, is also sensible. Half the projects assisted in future will be helped selectively.

## Cut in funds

Yet, in the view of some critics, what remains most disturbing is the cut in the overall funds which will be available. Most people outside Government who operate in the regional field believe that a successful policy must be backed by cash. Present policy is to cut right back.

The Government intends to save £300m a year by 1987-88 out of a budget now totalling just under £600m, of which half will come from falling into line with the European Commission on ending grants for renewal of machinery.

Its determination to hold the line was seen in last week's four-month moratorium on payment of grants, a move taken to keep spending within acceptable limits.

Considering the amounts spent on regional assistance over the past 25 years it is

doubtful if an annual outlay of between £250m and £300m can do more than tinker with the problems of Tyneside, Clydeside and the other regionally depressed areas.

Since 1960 more than £20bn has been spent on regional policies, most of it in the '60s. Since the introduction of the Industry Act in 1972 the total has been £5.5bn.

Academic research, including studies by Mr John Rhodes and Mr Barry Moore at Cambridge, has suggested that regional policies between 1960 and 1981 resulted in a net increase of at least 250,000 manufacturing jobs during the period and possibly as many as 445,000.

Using a multiplier of 1.4 to take account of additional jobs created outside manufacturing as a result of the spending, estimates of total job creation range between 350,000 and 630,000.

They suggested in December 1983 that the cost per job was £32,000 at 1981 prices, though the Comptroller and Auditor General has more recently estimated that this could be as high as £40,000 at 1983 outturn prices.

Yet the Government has now committed itself to a ceiling of £10,000 per job, which might appear to be totally unrealistic in relation to present needs and prices.

The £40,000 estimate was heavily swollen by payments for Regional Employment Premium, which was ended overnight in 1976; if REP could be extracted, the figure would be considerably lower. Even so, the present ceiling reflects a definite diminution of aid.

Despite this high level of spending over the past 25 years, regional policy has failed to tackle many of the consequences of regional imbalance, or to compensate for the enormous pull of the South East.

With the exception of a handful of concerns, most companies have their headquarters in London or the South East. R & D facilities reasonably nearby and generally only branch factories in the regions. In times of economic strain, the branches get lopped off long before the roots are cut.

There is some evidence that the pull of the South East has lessened in recent years. Population growth within the region has not occurred as fast as was once expected, and net migration into the area has not been advancing at the same pace. Nevertheless, much of the investment in new "sunrise" industries involving micro-electronic technology is taking place within 50 miles of London.



Assisted areas as from November 29 1984

## CONTENTS

The European Development Fund: more emphasis now on programmes rather than projects .....	2
European schemes: big changes under way .....	2
The UK grants hurdle: how to apply for aid .....	3
The main UK investment incentives .....	3
An alternative view: what Labour would do .....	4
Case study: £12m scheme in Sheffield .....	4
Regional assistance: where to apply .....	4
Development agencies: strategies in Scotland, Wales and Northern Ireland .....	5
Enterprise agencies: target by mid-1986 .....	6
Free ports: slow start after early promise .....	6
Science parks: new association welcomed .....	6
Enterprise zones: vogue seems to be over .....	6
Regional reactions: planners evaluate the status changes in more troubled areas of the UK .....	7
Financial assistance: who received what .....	8
Further information: useful reading .....	8

CONTINUED ON PAGE 3

# Development areas: nowhere else comes within miles of Corby

If you're planning to develop your business you need look no further than Corby.

Corby is a **Development Area** so your business gets the help of Development Area benefits. For most companies this means the better deal for them of either 15% grants on plant, machinery and equipment or £3000 per job created. There is also selective assistance for some job creating projects.

Corby is also a **Steel Opportunity Area**, and this means even more incentives.

Corby is **England's first Enterprise Zone**. There are factories off the peg, from 500 sq.ft.

to 50,000 sq.ft., some of which are rates free until 1991. You can also choose from offices, warehouses, and high tech buildings.

Corby has **EEC aid for small businesses**. £1m is now available to aid efficiency.

Above all, Corby is right in the heart of England. Within 80 miles of London. 50 miles from Birmingham. Strategically placed for any business that needs fast, inexpensive, easy access to the big South East and Midland population centres. However far you look, you will find that, as a total package for the success of your business, nowhere else comes within miles of Corby.

## CORBY WORKS

For more information, send to Fred McClenaghan, Director of Industry, Corby Industrial Development Centre, Douglas House, Queens Square, Corby, Northamptonshire. Telephone Corby (05363) 62571. Telex 341543. Prestel, Kay # 20079 #

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Position: \_\_\_\_\_

Address: \_\_\_\_\_

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## Regional Development 2

# More emphasis on EEC programmes

TEN YEARS after it was launched, the European Regional Development Fund (ERDF) has undergone an important sea-change this year. The most important consequence of this change is that greater power will in future reside with the European Commission and, therefore, less with the 10 national governments.

Greater emphasis will in future be given to the assistance of programmes rather than projects. At the same time, the Commission will directly fund a larger proportion of those schemes that it backs.

As a result of the larger discretion given to Commission officials in Brussels the Fund will in future, in the words of one Eurocrat, "become much more Communautaire".

The driving force behind the change has been Mr Pierre Mathijssen, Dutch-born director-general of regional policy. But some of the change has been forced on the Commission through its inability to handle the weight of applications for grants.

When the ERDF was set up, 95 per cent of the financial resources available went towards funding national projects — a bridge, a stretch of road, clearing the environment — and only 5 per cent was left with the Commission to allocate directly.

Member-states still had to put in detailed plans for the projects they wanted undertaken and as the fund grew older the number of projects sent to Mr Mathijssen's office for scrutiny grew to the point that officials simply could not handle them. It has been estimated that by the early '80s the Commission was having to process between 20,000 and 30,000 a year.

## Watershed

If there had been no changes the weight of applications might have brought about the collapse of regional policy. The growth, though, came at the time when a policy rethink was in the air and so the change in principle helped the regional directorate to survive in practice.

January 1 this year was, then, a watershed in the fund as the emphasis switched to programmes, such as for small firms, employment-creating

## European incentives

	Capital grant	Interest related subsidy	Tax concession	Deprec. Allowance	Labour related subsidy
Belgium	•	•			
Denmark	•	•			
France	•	•	•		•
Germany	•	•		•	
Ireland	•	•			•
Italy	•	•	•		•
Luxembourg	•	•	•		•
Netherlands	•	•	•		•
UK—GB	•	•			•
—N. Ireland	•	•	•		•
Greece	•	•		•	
Portugal	•	•	•		•
Spain	•	•			•
Sweden	•	•		•	

Source: European Regional Incentives

France 13.64 per cent, Germany 4.65 per cent and the Netherlands 1.24 per cent.

Re-allocation of resources has been one of the most difficult tasks the Commission has had to undertake. In theory, the less-well-off countries should have a bigger share and the economically stronger should have had a lesser share. But, as in so many other issues, this good intention foundered on the unwillingness of the richer nations—Germany, France—to make a smaller slice from the cake.

Settling the re-allocation was reached by the usual Brussels compromise under which each country has been given a guaranteed minimum share of the fund along with a theoretical maximum.

## Amounts

Under the guaranteed minimum, Italy now gets at least 31.94 per cent of the fund, Britain 21.42 per cent, Greece 12.35 per cent and France 11.03 per cent.

However, in the talks leading to the settlement each country also indicated what it wanted and these amounts came to 116.56 per cent of the money available in the fund. In true Brussels fashion, this theoretical "maximum" was then allocated among members, so that Italy received 42.59 per cent, Britain 28.56 per cent, Greece 15.74 per cent and France 14.74 per cent.

Italy will therefore receive a guaranteed 31.94 per cent and could receive up to 42.59 per cent. But it will only receive the latter if someone else receives less than its theoretical maximum in any one year. The possibilities of endless arguing over shares, and probability of acrimony, are legion.

But the ironic case emerges that if France, a rich country economically, receives the theoretical maximum it will do

better than it has in the past, which was not the sort of conclusion envisaged when the Commission sat down to rewrite the rules.

When Spain and Portugal join the EEC in a year's time they will be entitled to about 30 per cent of the ERDF—20 per cent for Spain, about 10 per cent for Portugal—and then each country's guaranteed minimum and theoretical maximum will be cut by a third. This will not involve countries receiving less; they will merely receive a lower percentage of a larger fund. The actual figures will not be known until late autumn.

That fund has been growing steadily in the past four years, though its growth has been rather capricious. The fund can only be considered after the common agricultural policy has taken its share of Community resources.

In 1984 the fund, although the second most important source of Community assistance after the CAP, only received 8.43 per cent of the total EEC budget, a slight drop on the previous year's record 9.32 per cent.

In total, though, the fund is very much bigger now than a decade ago. When the ERDF started, it had an allocation of 300m units of account, but by last year the total had reached 2.14bn and this year it should be around 2.2bn, (a unit of account has varied over the period between 1.5 to 1.9 to £1 and at present is around 1.7).

In recent years the fund has been growing at about 5 per cent a year but a faster rate depends on radical changes in the CAP. What has emerged this year is a much more "community-based" regional policy. At a time when many, if not most, governments within the 10 are reducing their backing of national regional policies, this is probably a welcome move.

# Big changes now under way

ALL THE major European nations offer incentives to companies undertaking operations in parts of their countries. Capital grants are the most popular form of assistance offered followed by interest-related subsidies.

During the past few years there has been a considerable change of emphasis in the criteria for assistance, the latest of which has been the British review completed at the end of November. Last year also saw changes introduced in Portugal, Sweden, West Germany and the Netherlands.

Professor Kevin Allen, director of the Centre for the Study of Public Policy at the University of Strathclyde in Glasgow, and Mr Douglas Yuill in their invaluable study, *European Regional Incentives*, point out that, faced with higher unemployment there has been a switch towards labour-intensive schemes fairly generally throughout Europe.

At the same time, item-related grant schemes have lost favour. This reflects the desire for a more selective approach towards aid, the fact that many grant schemes are costly and produce few jobs (petrochemical works being the prime example) and that they are discouraged by the European Community.

For some reason, the EEC has taken a dislike to grants going to replace plant and machinery. The British review ended such schemes and so managed to save some £150m from its budget, giving an ideal of how "useful" or "costly" (depending on one's viewpoint) these schemes had been.

The main outlines of the national schemes, as detailed in *European Regional Incentives*, are as follows:

● **Belgium:** The country offers an interest subsidy, a capital grant, tax advantages of a minor kind and an accelerated depreciation allowance which is now of only limited significance.

The main thrust is a discretionary interest subsidy and much of the country falls within assisted areas status. The subsidy is project-related and a concession against interest payments to banks or finance houses. A wide range of activities is eligible, including both manufacturing and service sectors.

There is also a capital grant which is both discretionary and project related. The rate and level of grant are based on a complicated formula.

● **Denmark:** Investment grants comprise the backbone of the system. Rates are up to 35 per cent in special development regions and up to 25 per cent in the rest of the country. Municipal soft loans are also available.

## European schemes

ANTHONY MORETON

Municipal loans are at 7 per cent and are a loan to a municipality rather than one from it. The intention is to allow them to put up industrial buildings which can be leased or bought at below-market rates.

● **France:** There are two key packages, the regional policy grant and the regional employment grant, of which the former is the more important.

Policy grants are project related, available to both manufacturing industry and the research and service sectors and have special provision for areas of particularly high unemployment.

Just under half the country and 39 per cent of the working population is covered by the aid schemes and in the maximum rate zones up to FF 50,000 (approximately £4,000) per job created is paid. In the standard rate zones the payment is FF 35,000.

## Exemptions

The employment grant is also project related and available towards the first 30 jobs created (or, in some circumstances, pre-served). Although termed a "regional grant" it is available throughout the country, though with rates varying from FF 40,000 down. Rural, mountainous and upland areas are particularly favoured.

In addition there is a business tax concession which allows up to 100 per cent exemption from local business taxes for periods of up to 5 years.

● **Germany:** Regional policy is a matter for both the federal and Land Governments with the core centering on an 8.75 per cent investment allowance which is in effect an automatic, project-related capital grant that can (if the recipient desires) be taken as an allowance against

tax. The rate is 10 per cent in the zonal border area.

There is an investment grant whose role has to take into account any other assistance and within the zonal border area Germany has the EEC's only freight-transport subsidy. Other inducements are on offer in this zone which is a 25-mile wide strip along the borders of East Germany and Czechoslovakia.

Most of the Länder have their own incentives, some of which top up federal assistance. Half the country comes under assisted status designation but only 28 per cent of the working population.

● **Ireland:** The whole of the country is covered by grants of some form, and is divided into designated and non-designated areas. Awards are broad-ranging and generous and administered by the Industrial Development Authority.

Capital grant schemes, interest rebates, loan guarantees and equity finance are available and fiscal measures separate from the IDA package are an integral part of the incentives on offer.

The Irish package is actually national rather than regional and critics often infer the EEC turns a blind eye to some of the schemes. Ireland has probably the most powerful combination of incentives available within the Community.

Schemes in Northern Ireland are the responsibility of the UK Government.

● **Italy:** A wide variety of grants and allowances are available and the country is divided into three sectors: the Mezzogiorno (which includes Sicily and Sardinia), Insufficiently Developed Zones of the Centre and Insufficiently Developed Zones of the North. Geographically, these cover most of the country.

There are project-related capital grants ranging between 20 and 40 per cent with an extra fifth available in priority areas or sectors while projects in combined priority areas and sectors can get another two-fifths, making a maximum of 56 per cent.

Secondly, there is a national fund for subsidised credit, with particular emphasis again going to the Mezzogiorno. There are also tax concessions, exemplified by a number of smaller regional aids which are virtually national in character. One such is a soft loan scheme for small- and medium-sized concerns.

● **Luxembourg:** The country is too small to have purely regional aids, but, there are

interest subsidies, loan guarantees, capital grants and tax concessions.

● **Netherlands:** Dutch assistance centres on an investment premium, a largely automatic project-related capital grant. For larger projects only the first FF 15m (€4.25m) is eligible for automatic aid.

The country is divided into three areas, each qualifying for varying rates of assistance. The system has few incentives but is a "highly visible" one. Some 29 per cent of the total population lives in the designated areas, though this will drop to 25 per cent by the middle of this year.

● **Greece:** The whole country is divided into four areas and four main instruments—investment grant; interest rate subsidy; depreciation allowance; tax allowance—predominate.

Region D, the most heavily assisted, covers many of the eastern islands and the northern border lands. In it the maximum award is 50 per cent of the eligible investment plus 15 per cent for special investment related to environmental protection, energy saving and R and D.

## WHERE TO OBTAIN INFORMATION

Belgium: General Directorate for Industry, Ministry of the National Economy, square de Meens 25, 1044 Brussels.

Denmark: Direktoratet for Eksportstatistik, Søndersgade 25, DK-5600 Silkeborg.

France: DITFAR, 1 Avenue Charles-Hoquet, 75007 Paris.

Germany: Kreditanstalt für Wirtschaftsförderung, Palmenstrasse 5-6, 5000 Frankfurt.

Ireland: IDA, Lansdowne House, Dublin 4.

Italy: ASSONIME, Piazza Venezia, 11, Rome.

Luxembourg: Société Nationale de Crédit et d'Investissement, 3 rue de la Consanguine, Luxembourg.

Netherlands: Dienst Investeringen, Postbus 10073, 3000 GB Zoetermeer.

Greece: Private Investment Service, Ministry of National Economy, Syntagma Sq., Athens.

UK: Department of Trade and Industry, 1 Victoria St., London S.W.1.

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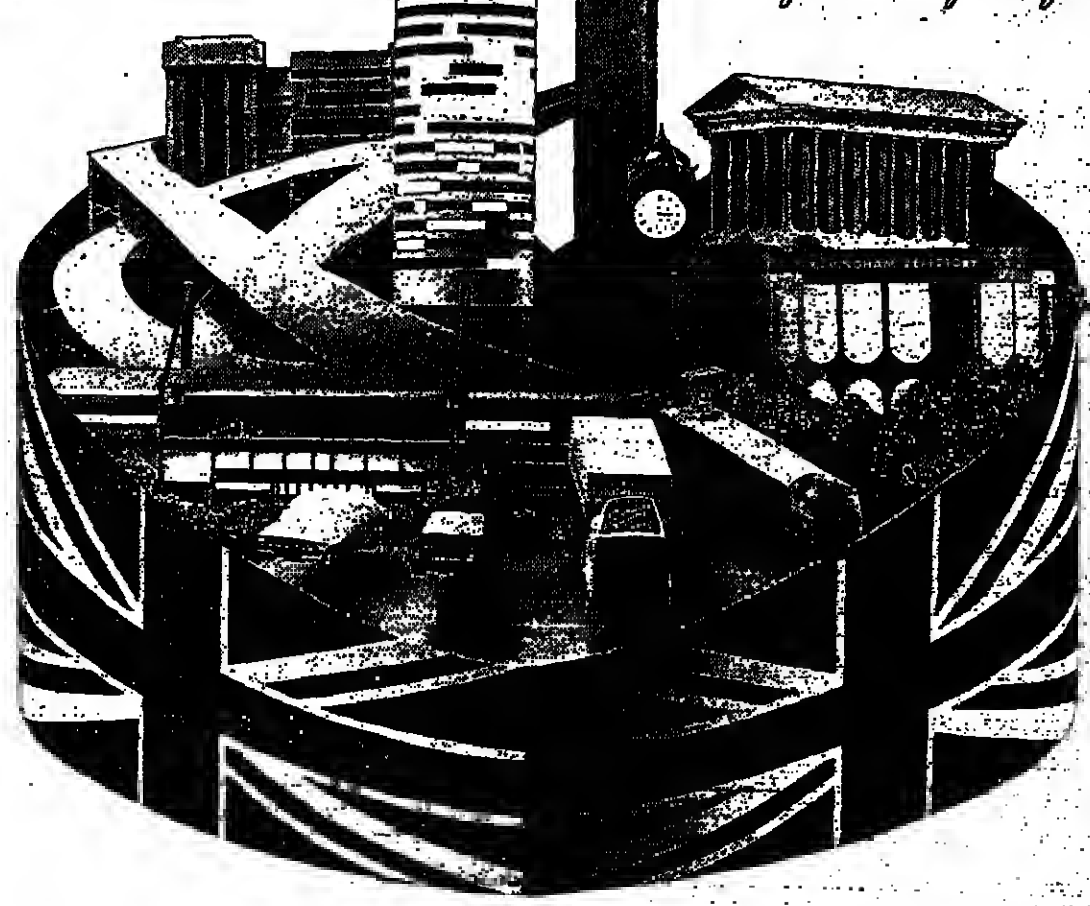
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## Regional Development 3

## The mechanics of applying for regional assistance

## The grants hurdle

RHYD DAVID

IMPRESSED by signs that the economy may be picking up and confident that there is a strong potential for his new product, John Smith of Pushforward Enterprises has decided he needs a new UK factory.

With his own funds limited, the project may just not be viable unless he can obtain financial assistance. A development area, where projects which qualify receive automatic grant aid, seems the obvious answer and John Smith's first move is to find out just what is available under the new regional development package, brought in by the Government at the end of last year.

The basis of the new scheme, as the Department of Trade and Industry's Guide for Applicants makes clear, is somewhat different from the old one now being phased out, with projects, rather than particular assets, being aided. The emphasis, too, is now to a much greater extent on the creation of jobs.

Thus under the old scheme Mr Smith would have had to put in new assets—his buildings or his new machinery—and he then had two years after the quarter in which the asset was installed to put in for grant aid (15 per cent of the value in a development area and 22 per cent in a special development area).

He now submits an application covering the whole project for the automatic 15 per cent grant and he will have to make sure this arrives not later than 12 months after the first piece of equipment has been installed or job created.

## Limits

There are other differences, too. Unless he employs fewer than 200 people the businessman will be subject to a £10,000 limit per job created. Grant will be paid under the new scheme at this rate or at 15 per cent, whichever is lower.

Pushforward Enterprises' project is going to cost £1m and is expected to result in 20 new jobs. The scheme will therefore qualify for £150,000, or 15 per cent, as this is the lower of the two potential sums payable.

If, by contrast, the scheme had only been intended to create 10 jobs, then Mr Smith would have received a grant of £10,000 for each job or £100,000.

Schemes which offer a large number of jobs at a low capital cost—and this could include service sector projects which now qualify for the first time for automatic grants—will receive aid at £3,000 per job if this is greater than 15 per cent of the eligible capital expenditure.

Thus, a company proposing to spend £2m and to create 200 jobs will receive £300,000,

rather than the £300,000 which would be payable if the capital cost alone was taken into account and offset by a 15 per cent grant.

Our Mr Smith will have to fill in form RDG/APA—obtainable from the DTI or Welsh and Scottish Offices—giving details of his project for approval.

A separate form, RDG/C, the claim for a regional development grant (obtainable from the same addresses) also has to be submitted and this has to include a declaration by an independent accountant that the relevant expenditure has been incurred or incurred on assets actually provided.

## Waiting time

It is then a question of sitting back and waiting—but for how long? The average time taken between receipt of application and despatch of cheque is seven weeks. According to the DTI, applications do not normally have to pass through a number of tiers before they are eventually authorised, as some businessmen suspect. Most applications are dealt with at executive officer level, though some of the higher applications are considered by principals.

At some point in planning his new investment—and certainly before he has actually started—Mr Smith will have been very much in Mr Smith's interests to look also at the selective assistance which he can obtain in addition to regional development grants for Development Area projects. (If Mr Smith had been planning to establish his new factory in an intermediate area, this would have been the only type of aid available to him.)

After studying the DTI's advisory booklet *Does Your Project Qualify?* Mr Smith should then submit his application form RSA 1 to the relevant DTI regional office where it will be looked at by a project appraisal team whose members will range in ranking up to principal level. (If any problems are foreseen, then the case can be referred to higher levels.)

In making their evaluation and writing the relevant case paper, the project appraisal team will be guided by these criteria:

● The project should have good prospects of achieving viability.

● The applicant has to be able to demonstrate that assistance is necessary if the project is to go ahead.

● There must also be identifiable regional and national benefit, for example an improvement in productivity, or increased exports, and the project should either create new employment or safeguard existing jobs.

● Companies seeking aid will normally be expected to find most of the finance required for the project from their own (or other private) sector sources.

Any grant will only be made after talks between the DTI appraisal team and the applicant, and will relate to either

**BUSINESSMEN** frequently complain that the mechanics of applying for Government regional assistance are either shrouded in mystery, or if comprehensible, take too long to complete, and are not worth the bother. In this imaginary case study we follow John Smith of Pushforward Enterprises through the real world of the grants office to see what lesson might be learnt.

the fixed capital cost of a project or to the number of jobs created. Jobs must be maintained for 18 months after payment of the grant (which usually comes in the form of assistance towards the cost of interest on loans from other sources).

## Selection

Selective aid can be paid towards projects which protect employment as well as those which create new jobs and it can also be used in respect of spending on second hand as well as new plant. The amount paid will in all cases, however, be the minimum necessary to ensure the project goes ahead.

The final hurdle that Push-

forward Enterprises is likely to have to face before receiving its selective aid is the local Industrial Advisory Board.

This body, made up of representatives of local industry, trade unions, the banks and other organisations, examines cases put before it by the DTI so as to give an independent assessment of whether or not a project should receive public funds. Among the points they will consider are the impact of proposed new projects, such as that planned by Mr Smith, on other similar operations if such exist in the area.

Mr Smith is likely to be kept waiting for his answer for around eight to 12 weeks from the date of his first application for selective aid. From then on,

though, there are plenty of sources of advice and guidance available to him—including the enterprise agencies which have sprung up in towns and cities around the country—it is largely up to him to put to the test of the marketplace the project he has so far successfully steered through the grants maze.

● In many cases, companies will be better off applying for assistance under the old regional development grants scheme and they will, under certain circumstances, be able to do so until the end of November this year. Those mainly likely to benefit are:

Companies in locations which have moved down from development area to intermediate area and companies in the former development areas proposing capital intensive schemes. Full details in the DTI leaflet RDG/TAG.

● Offers of selective aid on the basis of the old regional development area map are being made for a four-month period from the end of last November, again subject to certain conditions.

● Where to apply for assistance: See Page 4

## The main UK investment incentives

Type	Development Areas	Intermediate Areas	Northern Ireland
Building Grants	15%	Nil	Up to 50%
Machinery and Equipment Grants	15%	Nil	Up to 50%
Grants towards Starting-up Costs	Additional assistance on a discretionary basis. The level is related to the employment, location and capital requirements of the project.	Additional assistance on a discretionary basis. The level is related to the employment, location and capital requirements of the project.	Additional grants designed to provide new projects with an inflow of revenue during the build-up period are possible.
Factory Rents (per sq. metre per annum)	New projects may qualify for an initial rent-free period.	£10.80 to £26.90	£8.30 to £18.80 related to size and location of factory.
Venture capital	Various forms can be made available.		
Interest Relief Grants		Nil	Available to reduce the commercial costs of borrowing for up to 7 years—3 years at a broadly commercial rate followed by 4 years at 3% per year.
Help for Transferred Workers	Grants, free fares and lodging allowances and help with finding houses.		Fares, household removal costs or lodging allowance plus substantial settling-in grants for key-workers from outside Northern Ireland.
Training Grants	40% of basic wages and training costs		Employees per week aged under 18 £20 aged 18 to 49 £30 aged 50 and over £40 (previously unemployed)
Industrial Derating (remission of taxation imposed by local authorities)	England and Wales: Nil	Scotland: 50%	75% (100% in all Enterprise Zones)
Research & Development Grants	Up to 33%. The total cost of eligible projects will normally be not less than £25,000 or more than £5m.		40% to 50%—assistance limited to £250,000 per project.

Sources: Department of Trade and Industry.

## Aid projects now more selective

CONTINUED FROM PAGE 1

The Thames Valley, M4 corridor and the Cambridge area all prove this.

All this points to the need for a continued strong framework of regional policy, even if incentives over recent years have proved less successful in generating new employment opportunities than in the 1960s and early 1970s.

The Regional Studies Association chairman, Mr Peter Townrow, believes, for example, that there is little ground for arguing that market forces alone can bring about a new equilibrium.

And Dr Ronald Martin, of St Catherine's College, Cambridge, says that "the existence of marked geographical variations in the incidence of unemployment, labour market problems and structural malaise, indicates a continuing need for some form of spatially focused intervention in the economy".

He adds: "But a thorough-going overhaul of the framework instruments and institutions of existing regional (and urban) policy is called for, founded on a major re-orienta-

tion of policy objectives and priorities."

The overhaul that has recently taken place has gone in quite the opposite direction to that which most practitioners in the field of regional policy would have liked.

## Suspicion

There is even a suspicion that the Government would like to go even further and end all regional policy, saving the remaining £250m-300m left in the budget. It has hauled at going that far but it has cut back to the minimum that it thinks acceptable.

As a result of its review the assisted areas today are very little different in shape from those first helped under the 1934 Special Areas Act, the legislation that started regional policy in Britain.

When Sir Keith Joseph under took his review of regional policy in 1979 his action was described as "rolling back the map" of regional Britain. The present review not only rolls the map back even further. Some of the more vigorous critics of Government policy maintain that it also puts the clock back.

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# What Labour would do

The present Government's latest regional measures amount to "less of the same" says Geoffrey Robinson, Labour Spokesman for Regional Affairs.



THERE IS a pressing need to introduce a coherent structure of industrial assistance in the UK, available by region and by specific industrial sectors, says Mr Geoffrey Robinson, MP, the Opposition Spokesman for Regional Affairs.

He sets out here what Labour would do to change what he describes as the inadequate and traditional approach of the present Government as regards regional policy.

Labour will pursue its aim of reducing public expenditure overall, while consistently refusing to make available a regional breakdown of where its public expenditure is being spent.

Labour will take steps to make regional expenditure accountable, and seem to be accountable, to the regions.

Under the pretext of rolling back the State, this Government has increasingly blurred the principle that public money ought to be spent only by bodies that are fully accountable to the public.

Can anyone really claim that joint boards and residuary authorities are improvements as representatives of the public?

Equally, the Government has

high need and low skills which have traditionally been hidden within the "blanket" travel-to-work areas.

It may make more sense to take the boundary of a local authority, for instance, as an administrative area that can be far more responsive to the peaks and troughs of a local economy. That is the way Labour will identify the areas of local growth—the "seed bed" areas for small firms who will respond to a flexible aid policy—and will generate the training facilities that will attract the larger manufacturing and service companies.

But, above all, regional policy under Labour must move away from its traditional identification with industrial grants alone.

The local economy of an area depends also on its available energy resources, the transport and distribution sector, between home, work and shops, the quality of the environment, education and leisure facilities, and, above all, the availability of its housing.

Women, young people, the black Asian and Chinese communities, and other groups whose needs and aspirations have been traditionally overlooked in past regional planning, must also be allowed to make their voices heard.

Where will the house be for the people with the skills when an enterprise is considering Glasgow, Teesside, Liverpool or even London for its location?

Creation of real jobs must be accompanied by equality of access to housing and genuine mobility around the country.

Public spending on construction, clearance and renovation of derelict land may prove, pound for pound, to be a better regional investment—with improved quality of life thrown in—than any part of Norman Lamont's centrally constructed regional edifice.

AT THE end of last November, the Government published its revisions to regional policy, the regions, however, are still waiting for a Government policy.

What has emerged so far, from Sir Keith's 1979 announcement to the latest revisions, is a prescription for "less of the same."

Can there still be a defence today for continuing the regional policies of the 1950s, which claimed to balance disparities between regions, and prevent "over-heating" of the South East and the West Midlands?

Today, the West Midlands and the South East are the two regions to have increased their unemployment rate faster between 1979 and 1984, as they join the rest of the country in chilly decline, while major inequalities exist within regions (and even within travel-to-work areas).

For a graphic description of the regional consequences of sticking to the traditional approach, Peter Hordern, Conservative MP for Horsham, put it very well in this session of Parliament during the debate on the Queen's Speech—

"Driving for three hours from London to Liverpool on the motorway is an experience that is rather like travelling from West Berlin to East Berlin."

Yet the Government responds by cutting the regional aid available by £300m, abolishing the Special Development Area category, making aid selective, not automatic and reducing the maximum rate of grant available to 15 per cent of investment.

Implications

But "less of the same" is no substitute for a policy. For the Government to be able to predict in 1984 that only £400m will be taken up by 1988 implies something about their expectations of demand.

Either they do not expect an investment boom to materialise—or, as the recent moratorium proves—they have built into the system enough safeguards to prevent their public expenditure targets being breached.

Either way, their change of course to encourage job creation, by spending public money in this way promises to

have only very small success.

What are Labour's plans for a genuine regional policy?

Such will depend, of course, on the state of the national (and regional) economy which we inherit. The present signals are appalling. Manufacturing virtually ignored by this Government, continues to decline (investment in 1984 was 28 per cent down on the 1979 level), and our net trade deficit in manufactured goods for 1983 was double its £2bn level for 1982.

Manufacturing employment fell by 33,000 jobs between September 1983 and September 1984. Against a background of stop-go-stop policies, no region, on or off the assisted areas map, has managed to make effective industrial plans.

Labour's first task, then, must be to ensure a coherent and predictable structure of industrial assistance—regionally, regionally, and by specific industrial sectors. Regional policy is too important to be left to the Department of Trade and Industry in Whitehall, and most regions have already prepared their own plans for economic development and local employment.

The power and the money must be made available to the regions to carry out those plans.

Several detailed proposals of how this can be done are now in discussion with each region.

The identification, by each region, of priority areas for industrial recovery and the local skills and resources that can bring that about, will be a feature of the Labour Party's Jobs and Industry Campaign, to be launched this Spring.

The Enterprise Boards, which have a record of job-creation at a fraction of the cost achieved by Governments, and the Development Agencies of Wales and Scotland are likely to play a crucial role in matching resources to needs.

In this context, the conse-

quences for regional policy of the proposed abolition of the metropolitan authorities cannot be over-estimated. Those councils have made it their business to promote the interests of their region to investors.

What local representatives can take their place, when rate-capping will penalise any local authority trying to spend more on its region?

Under the pretext of rolling back the State, this Government has increasingly blurred the principle that public money ought to be spent only by bodies that are fully accountable to the public.

Can anyone really claim that joint boards and residuary authorities are improvements as representatives of the public?

Equally, the Government has

pursued its aim of reducing public expenditure overall, while consistently refusing to make available a regional breakdown of where its public expenditure is being spent.

Labour will take steps to make regional expenditure accountable, and seem to be accountable, to the regions.

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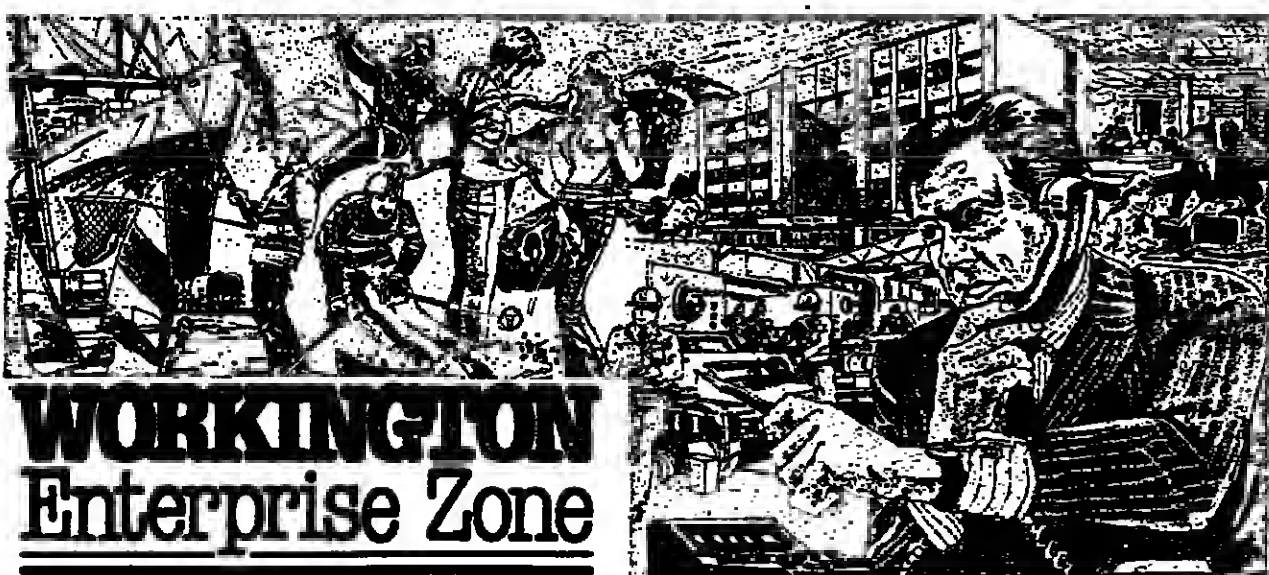
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## How one city has benefitted

### Case Study: Sheffield

ANTHONY MORETON

EVERY DAY, between dawn and midnight, 15 Inter-City trains pull out of Sheffield's main station destined for London's St Pancras, which the fastest of them reach 2hrs 20mins later.

In nearby Doncaster, however, there are 32 expresses a day heading for London along the main east-coast route, reaching the capital in as little as 1hr 50mins.

It is hardly surprising, therefore, that many of Sheffield's businessmen prefer to take the car to Doncaster and travel in superior comfort and greater speed from the smaller town.

This vignette of economic life encapsulates what has happened to Sheffield, England's fourth largest city and one of the few places to benefit from upgrading by the Government in its regional revival.

Sheffield and its railway service, has fallen behind the times despite a number of improvements. The dowdy railway link with London is bitterly criticised by people in the city

who have been urging for years that money should be spent on its modernisation. Equally within the city, business has fallen prey to the rundown of heavy industry.

Sheffield has had to contend with the same sort of problems which have eaten into the economic fabric of the West Midlands and it is hardly surprising that places such as Birmingham, Coventry, Dudley, Telford, Walsall and Wolverhampton would all have been given intermediate status at a time when so much of assisted Britain was either being downgraded or having its assisted-area status removed altogether.

In Sheffield's industrial suburbs of Adwick and Brightside, which run north-east along the Don Valley towards Rotherham, the effects of the closure and run-downs of special steel, steel stock holding, scrap businesses and general engineering is most noticeable.

A £12m scheme to revitalise this part of the city has been launched but it has a long way to go before it can show really tangible results. Perhaps the most striking feature is the sort of cherry on the mouse that Sheffield has become.

Although it has been hit, as has the rest of Britain, by the world-wide recession, Sheffield is to some extent also reaping

the harvest of its own wild oats. In the early 1980s, following a radical shift to the Left among the city's traditional Labour representatives, in city hall (Sheffield has had only one year—1983—in which it has not been governed by Labour since 1945) industrial policy changed direction equally radically.

The city turned its back on attempts to attract inward investment and concentrated on building up organisations already within the boundaries. Support was given to some 20 local co-operatives, council buying power was focussed where feasible on local suppliers, and socially-useful products were backed. The council also put £1m a year, of which a third went to the co-operatives, into financial assistance for local companies.

Decision

At the same time, the council deliberately opted not to apply for an enterprise zone when the Government was looking for almost any site to designate. (Rotherham, down the road, took a different view and won a zone).

There was little promotional literature in Sheffield that might have interested outsiders, but a lot that was of use to concerns already in the city.

This change of policy was not completely unsuccessful. Over the past two to three years some 1,000 jobs have been created or saved; the problem is that the city has been losing as many jobs a month.

Sheffield is right in its assertion that it does not have the resources or the powers to create jobs on the scale needed

to keep pace with the rate at which they were being lost. The arrival of the Matthew Services Commission in the city, one of the largest inflows of net new jobs, shows how important it is to influence the decision-makers.

But a lot can be done in small ways and with the arrival of intermediate-area status the city has a better chance of attracting industry than it had without it.

This is the hope that the other areas upgraded must also be holding on to. Much will depend on how the Government interprets that status, its powers of selectivity because intermediate-area status stands or falls on the Government's willingness to back individual projects.

potential investment projects and with the consideration—that is, if the Government is actively looking for ways in which to help them—selective aid might be a boon to industry. If the Government takes a rigid view of its powers then Sheffield, the West Midlands, parts of Greater Manchester and pockets such as Bishop Auckland or Little Cinderford in the Forest of Dean, are in for a nasty shock.

The importance of designation as an assisted area now is that it allows a locality to tap the resources which are available from the European Commission in Brussels. With the Eurocrats determined to play a more positive role in regional finance, and with their having allocated additional resources to themselves at the expense of national governments, this is an important consideration to be taken into account.

### WHERE TO APPLY FOR AID

INFORMATION on regional aid available from UK government and EEC sources can be obtained from:

● London: Department of Trade and Industry, Regional Policy Division, Kingsgate House, 66-74 Victoria Street, London, SW1E 6SJ (Tel: 01-212 3466; telex 881348 DIBQ G).

● UK regional offices  
North Eastern: Stanegate House, 2, Great Market, Newcastle-upon-Tyne, NE1 1YN (Tel: Newcastle-upon-Tyne (0632) 324722; telex 53178 DOI TYN G).

North Western: Sunley Building, Piccadilly Plaza, Manchester, M1 4BA (Tel: 061-236 2171; telex 667104 DTI MCHR G).

Merseyside Sub-Office: Graeme House, Derby Square, Liverpool, L2 7UP (Tel: 051 227 4111).

Yorkshire and Humberside: Friesley House, Park Row, Leeds, LS1 5LF (Tel: Leeds (0532) 443171; telex 557925 DTI LBS G).

West Midlands: Ladywood House, Stephenson Street, Birmingham, B2 4DT (Tel: 021-832 4111; telex 337919 DTI BLAM G).

East Midlands: Severn House, 20, Middle Pavement, Nottingham, NG1 7DW (Tel: Nottingham (0602) 506181; telex 87143 DTI NOT G).

South Eastern: Ebury Bridge House, 2-18, Ebury Bridge Road, London SW1W 9QD (Tel: 01-730

9678; telex 297124/5/6 SEREX G).

South West: The Pitway, Bristol, BS1 2PB (Tel: Bristol (0272) 291071; telex 44214 DTI BTL G).

South West Industrial Development Office, Phoenix House, North Street, Plymouth, PL1 2HF (Tel: Plymouth (0752) 218915; telex 45494 DTI PLM G).

● Scotland: Industry Department for Scotland, Alhambra House, 45, Waterloo Street, Glasgow, G2 6AT (Tel: 041-248 2855; telex 777883 IDS GW).

● Wales: Welsh Office, Industry Department, New Crown Building, Cathays Park, Cardiff, CF1 3NQ (Tel: Cardiff (0222) 825111; telex 488228 WO CARD G).

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● Northern Ireland: Belfast: Department of Economic Development, Northern Ireland, Masser Avenue, Belfast, BT4 2JP. Tel: Belfast (0232) 063244, Telex 747152 DEC DEV G.

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## Wales and the WDA

ROBIN REEVES

IT IS approaching 10 years since the Welsh Development Agency (WDA) was established by Act of Parliament to put fresh muscle into the task of regenerating the Welsh economy—by providing industrial land and premises, carrying out land reclamation and environment improvement, and boosting investment in Welsh industry.

Dr George Mathewson, who heads the Scottish Development Agency: a think-tank for new regional industries

The SDA's role as a think tank for Scotland's economy is also paying off. Following up on electronics, the agency has put its mark on other sectors as well.

It has encouraged the development of biotechnology, linked to universities.

It has developed the West Scotland Science Park with active management to bring industry together with academic resources.

A study of the wood products industry has led to new initiatives in developing Scotland's timber industry from one of Western Europe's last uncommitted forest resources.

New initiatives have been taken to encourage more Scottish companies to provide goods and services to the big offshore

and services to the big offshore oil industry—a sector employing about 80,000 to 100,000 people, with about 60,000 of them in Scotland.

It has set up an export promotion unit to improve the marketing of products from such areas as the textile industry.

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## N. Ireland and the IDB

ALAN WATSON

had to be prepared in the knowledge that the recession has left a miserable legacy.

Coopers & Lybrand Associates, the management consultants, now estimate that at least 20 per cent of total manufacturing employment in Ulster was preserved in the past two years by some form of remedial action by the Government.

Provisional figures for 1984 show the IDB was responsible for promoting 5,120 new jobs, either in new projects or in the expansion of existing firms. It appears that in the year to March 31, 1985 it will achieve its target of 4,250 job promotions from local industry but will again fail to meet its target for 1,000 jobs from inward investment.

A separate agency, the Local Enterprise Development Unit, remains to aid the creation and development of companies employing fewer than 50. It

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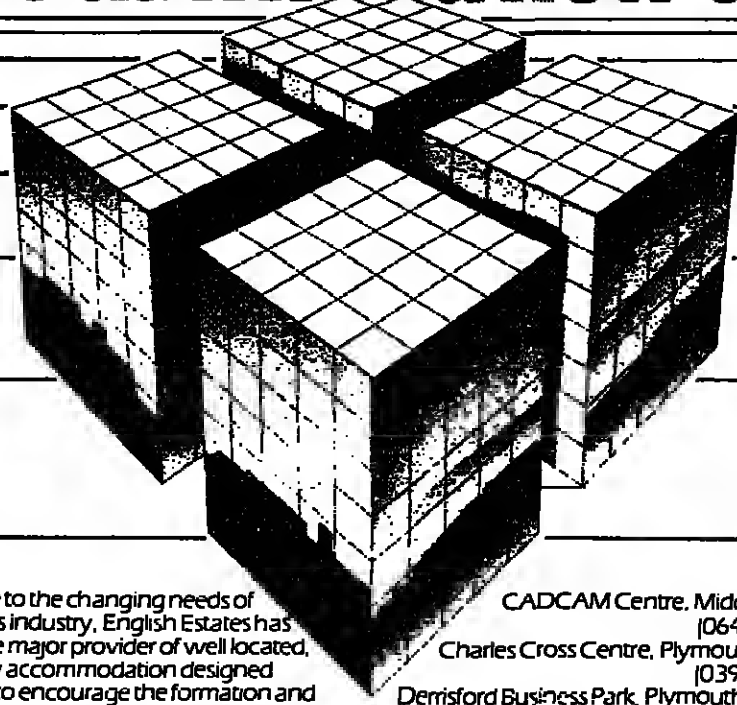
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## The target is 300 agencies by mid-1986

A WIDE political gulf separates Britain's enterprise agencies from enterprise boards, though both have emerged, possibly crucial roles in industrial development. However, similarity of name often leads to the two types of body being confused with each other.

Enterprise agencies outnumber enterprise boards by more than 50 to one. They are advisory offices for people setting up, running or wanting to develop small businesses. Each is usually sponsored on a shoestring budget by its local authority, the private sector and the chamber of commerce. A tiny permanent staff is supported by secondees from private industry on assignments lasting from six months to two years.

The original model was the Community of St Helen's Trust, established in the Merseyside glassmaking town in 1978 and actively supported by Pilkington Brothers and the County (then Conservative) and Borough authorities. In the wake of the 1981 Toxteth riots, Mr Michael Heseltine, then Environment Secretary, started encouraging other urban areas with unemployment problems to copy.

There were 233 enterprise agencies at the end of 1984, with another 35 in formation. Each acts in its immediate locality.

Behind the mushrooming of their numbers is Mr David Trippier, the Small Firms Minister, and Business in the Community, the charity to which more than 100 large companies subscribe and which acts as an outlet for what many now see as a modern, corporate version of noblesse oblige.

Mr Trippier wants to see 300 enterprise agencies in operation by the middle of 1986. His original instinct was to push for one in every parliamentary constituency but he soon realised that this would lead to overlap in the conurbations and, in the shires, duplication of the work of Cosira, the Council for Small Industry in Rural Areas. So he halved the figure he first thought of.

Enterprise boards are the creation of a few large, Labour-controlled counties. While the agencies' work could be fairly described as demand-led, the boards adopt a pro-active stance in what they see as a strategic role. The political gulf arises because the boards are fundamentally interventionist in outlook and spend large sums of ratepayers' money.

The boards have been set up in the conurbations of Greater London, the West Midlands and Merseyside. A related, but different type of body has appeared in Labour-controlled Lancashire, where a private company, Lancashire Enterprises Ltd (LEL), has been formed by the county council to channel public money into industrial development.

LEL's legal status has enabled it to take equity in companies it backs and function as a merchant bank with a property development arm. Ratepayers' money is therefore capitalised and is, technically,

### Enterprise agencies

IAN HAMILTON FAZEY

always recoverable.

Since LEL has also made enough profit to have already paid back its start-up costs—as well as creating or saving several hundred jobs—Conservative opposition has become increasingly muted over the last year.

All the boards are financed under section 137 of the Local Government Act, which enables county and borough councils to spend the product of a 2p rate on whatever they like. This is the source of most of the £30m operational and investment budget of the Greater London Enterprise Board (GLEB).

This, the biggest of the boards, employs 80 people operating in several "divisions." The Technology Division, for example, works on developing networks with London's universities and colleges to get on whatever they like. One project of the sector strategy division is to encourage design-led furniture production in the capital.

The Ethnic Development Division concentrates on improving job prospects for minorities while the Structural Investment Division is encouraging the growth of co-operatives. Mr John Palmer, director of information, says: "We go in to maximise social return as well as return on investment. The other boards have been more commercial and have left the social side to the counties which set them up. At least 3,000 jobs will have been created, while space for 4,000 more is being built, with 2,500 construction jobs available short-term in doing that."

By the end of March, after 21 months of operation, Mr Palmer says that £15m will have been invested directly in businesses with further sums going into technology, networks and property. At least 3,000 jobs will have been created, while space for 4,000 more is being built, with 2,500 construction jobs available short-term in doing that.

The cost of each job created is working out at £5,000, compared with £37,000 per job in enterprise zones and £32,000 (in 1981) under general regional policy.



## Slow start after early optimism

### Freeports

ANTHONY MORETON

JUST BEYOND Dock Gate 10 in Southampton lies a large expanse of land which has been cleared but is unoccupied. Between it and the waterfront are a row of old dockside sheds which were once the home of a vast trade with the outside world.

Today, the sheds and the space beyond them are the site of one of Britain's first freeports. There are a few tenants in the sheds, but the freeport is still waiting for the rush of tenants that the Government had hoped for when it designated six areas of Britain as freeport sites last February.

Southampton, which, by comparison with most of the other five, has made some progress, hides its disappointment that it has relatively little to show after a year. But at least it has something to see; neither Birmingham, Belfast, nor Cardiff has anything to offer so far and at Prestwick in Scotland there are fears that the whole project might collapse.

The Government is probably not surprised at this slow start. It did not want freeports in the first place and was only

pressured into setting them up after what amounted to a backbench revolution.

Conservative MPs, having seen how freeports had generated employment in other parts of the world, were anxious on political grounds to see them established in Britain and forced the Government to change its policy. They may still be right, but early indications do not yet support their view.

A freeport is an enclosed area in which goods can be imported, processed and exported free of all customs duties and other import levies provided they do not enter the home market of the country in which the port is situated.

There are no special reliefs from other taxes but because of the ability to avoid customs payments it is possible to encourage a lot of industrial and commercial operations which take advantage of overseas trade.

They appear to have been remarkably successful around the world. Although definitive figures are difficult to obtain, there are thought to be more than 400 of them and their proponents claim that 10 per cent of all international trade passes through them. These proponents further claim that within another decade they will account for a fifth of world trade.

Their great merit to national economies is that they generate, if successful, a large number of jobs. The two freeports in South Korea are said to employ over 150,000 people. Others in Singapore, Hamburg, Miami, Taiwan and elsewhere have been equally successful in job creation.

All this makes British experience very disappointing. Southampton is the most successful and it has just two companies on its 15-acre phase 1 site together with a "very encouraging" volume of inquiries.

Southampton is taking the view that the freeport is really an industrial estate behind a security fence and is marketing it as such. Liverpool, where there has been some success, takes a different approach. Mersey Docks and Harbour Company, which operates the freeport, has designated 800 acres of existing dockland as the freeport and can therefore point to a lot of successful operations already. This is the approach that Hamburg originally took and allowed it to boast that it had 40,000 workers within the freeport.

Liverpool became fully operational at the start of last October. Like Southampton it has attracted a couple of new comers and Mersey Docks, with Arrowcroft, is developing 11 acres just within the Royal Seaforth Docks gate to provide tailor-made units.

Elsewhere, the picture is still to be painted. At Birmingham Airport, where Slough Developments is putting up buildings financed by the Prudential, the technicians have taken rather longer to complete than expected with the result that the development is running about six months late.

At Belfast a late-spring start to building is expected on the 72-acre site and the operator, Northern Ireland Airports, is still at the planning stage having met "unforeseen problems" after designation and "taken longer to get going than expected."

But the real disappointment has been at Prestwick where the whole freeport is threatened by a review of Government policy towards lowland airports in Scotland.

That review was expected originally last September, delayed until November and is now promised for end February, and has put a complete blight on operations.

## Vogue appears to be over

ALTHOUGH the UK Government always denied it, the introduction of enterprise zones in 1981 could quite logically be seen as part of regional policy.

The official view was that these areas had been created to prove Conservative political thinking that business would grow much more quickly if it was allowed to function with the minimum of bureaucratic constraints.

The 11 chosen were, however, picked carefully to do something for parts of the country with the most severe economic and social problems. Liverpool was chosen in the light of the riots in the city. Clydebank because of the massive need for urban renewal in Glasgow. Corby because of the equally massive steel closures in the town.

When the second list of zones was announced two years later, it was clear the chosen sites had been picked for political rather than regional reasons. On any objective regional basis North West Kent would not have been chosen as one of half a dozen other places in the UK. Nor was it easy to make out a case for Milford Haven.

The second group, comprising 14 places, all tended to be smaller than the initial 11, had less urban devastation which needed to be tackled and some of them even comprised multiple sites.

The Tayside enterprise zone is, in fact, an agglomeration of seven different parcels of land in and around the city. North East Lancashire is on six sites and North West Kent has five. The impression left is that enterprise zones had by last year become a vehicle to stimulate industrial development on awkward industrial sites.

There is a growing feeling now that the Government is not even very much interested in enterprise zones. Admittedly, much of the thrust of Government policy at the moment has been taken over the past

### Enterprise zones

ANTHONY MORETON

year with the refashioning of regional policy itself. Several in which freeport projects went off at half-cock and enterprise zones have been allowed to meander along aimlessly suggests that not much time is being allocated to them in Whitehall.

This may be due, in part to personalities. "The zones were created by Mr Michael Heseltine when he was Secretary for the Environment and he poured a lot of personal effort into them. He was in Liverpool once a week—the city, it is admitted, a special case but he also used to chair meetings of enterprise zone officials at least quarterly."

Since Mr Patrick Jenkin took over the department there has been far less direction from the top. The original 11 were excluded from the quarterly meetings when the subsequent 14 were included and then the meetings were ended altogether.

There may, within Government, even be a growing awareness that enterprise zones are creating more problems than they are overcoming. A monitoring report has suggested that few companies have moved into enterprise zones from a totally different part of the country. It has also suggested that few zones have been over-successful in creating new jobs.

Corby is one exception to the rule. The 290-acre zone is all but full. The zone has been responsible for the creation of 1,500 jobs, perhaps a third of all those in the 26 UK zones. It has also successfully attracted two of the largest concerns to go to a zone—R. S. Components has 1,150 workers and Commodor Computers almost 800.

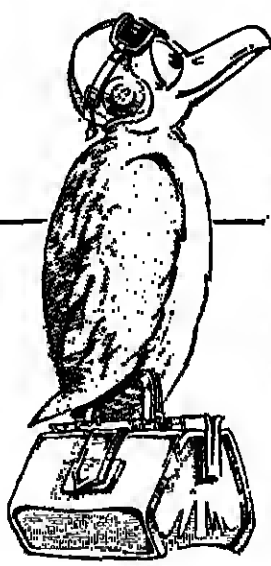
Among the other successful zones have been Swansea, Clydebank and the Isle of Dogs in London, though a designation which could offer 100 per cent initial allowances and a 10-year "rates holiday" near the centre of London did not make a success of it.

Although the Chancellor of the Exchequer, Mr Nigel Lawson, no doubt had other reasons for the move, one of his steps in last year's Budget, in which he cut initial allowances, had great implications for some and might well rescue some of them.

New buildings within enterprise zones were excluded from this cut; they continue to receive the 100 per cent allowance.

The vogue for enterprise zones appears to be over. The interesting question is whether they will be allowed to continue in existence after the 10-year life has been completed. That question does not have to be answered for another six years.

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## New association warmly welcomed

### Science parks

ANTHONY MORETON

DEVELOPMENT of university-linked high-technology industry should be given a further boost with the formation of the UK Science Park Association, earlier this month.

Although only eight universities initially joined the association, the remainder of the 15 or so parks linked to universities that have buildings and tenants are expected to join before long and the association could eventually grow in numbers to about 30 if all those that have made some progress in their parks come along.

How many eventually join will depend very much on the extent to which the polytechnics and colleges of further education decide to set up parks. The association has been very careful to draw up its proposals in such a way as to exclude a great many commercial operations which think of themselves as science parks, or which claim they are involved in high-technology work.

It is limiting membership to those parks which are specifically university-linked, and combine high-technology with the property angle. It is anxious, above all, to exclude those parks which are primarily property based even if the majority of their tenants are in the high-technology field.

The setting up of the association is doubly welcome because there is some evidence that, for the second time, some of the steam has gone out of the whole science-park movement.

Science parks came into being in the UK in the mid-1960s when the first Government led by the then Mr Harold Wilson wrote to all the universities urging they should do everything possible to help the setting up of companies concerned with the frontiers of

science and technology.

A brief flurry of interest saw initial interest expressed by Cambridge and Heriot-Watt in Edinburgh really turned that interest into reality until the early '80s when the movement expanded rapidly.

The second surge of interest, which saw universities from Aberystwyth to Hull and from Southampton to Aberdeen, set up parks arose very much as a consequence of the Government's tightening of budgets. Many university departments and individuals within those departments realised that if they were to further their work they would have to do it on a commercial basis.

As a result of this new approach, Cambridge, in particular, grew considerably. Others that did well included Aston, Bradford, Glasgow and Warwick. The parks then found themselves filling a large vacuum because the institutions, with their conservative investment policies, were failing to back speculative high-technology concerns anywhere other than in the South East of England.

In recent months, though, it appears to have lost some of its steam. Projects are still in evidence on drawing boards in places as far apart as York, Nottingham, Loughborough and Surrey. But movements into projects on the ground is slow. It is felt that the formation of an association, with regular meetings being held on the science parks, one of which takes place today on the West of Scotland park, might help to push things along.

The lack of real movement in the UK is all the more disappointing in view of the great progress made in similar projects in the U.S.

Even allowing for the much greater degree of entrepreneurial activity in the U.S., the disparity between the two countries is as wide as it is disappointing.

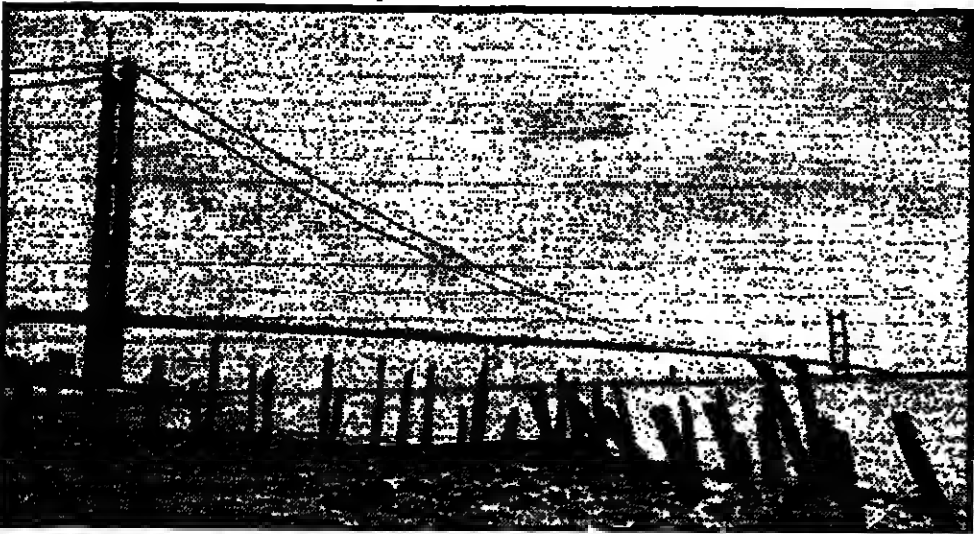
Handwritten signature: JPL, in 1985



## Regional Development 7

Strong reactions to the changes which the Government has introduced in regional assistance and development policy.

## Planners evaluate status changes



The Humber Bridge, viewed from the north side. Hull's independent promotion of itself is even more important now that its status has been changed from development area to intermediate area.

### The North

NICK GARNETT

THE CITY of Hull has been digesting the implications of its downgrading from development area to intermediate area and has not enjoyed the exercise.

Hull is one of 23 travel-to-work areas in the North that have had their assisted status lowered or removed, nine in the North East, the same number on the North West and five in Yorkshire and Humberside. More than a third of the total have had their status reduced special development status. Eight have become totally non-assisted.

The Humberside city, together with Morpeth and Ashington in Northumberland and Whitehaven, Cumbria, provide three different examples of the way planners feel the impact of status changes.

A paper translating the implications for Hull and prepared by Mr Robin Dean, the City's director of industrial

development, makes the general point that Hull has lost its main promotional financial incentive, in comparison with higher status areas, in the business of attracting mobile investment.

Companies that have set up in Hull with the help of regional development money over the past three years include Anglia Oils, Mauri Products which processes yeast and Donaldsons Filter Components.

But the paper also makes it clear that Hull has been put in a particularly difficult position in relation to Scunthorpe on the other side of the Humber. Scunthorpe has retained its development area status, a recognition of its particularly difficult economic and employment problems even in comparison with Hull which itself has an unemployment rate of 16.7 per cent.

The paper argues that many of Hull's companies including for the first time those in the service sector which now qualify for RDGs might be tempted to relocate or expand south of the river. It also expects that Humberside County Council will, not surprisingly, lay greater emphasis on the attractions of Scunthorpe in its promotional drive.

Two conclusions in the paper are that Hull's independent promotion of itself is now even more important and that the city's strength as a regional centre must be stressed to help dissuade service companies from relocating to the south bank.

### Downgraded

Some of Hull's problems are shared by Grimsby which has also been downgraded from development to intermediate area.

The issues of Whitehaven are somewhat different. It has had its assisted status downgraded two levels from development area to non-assisted.

The whole of Cumbria once had development area status and Whitehaven is part of the rump left following the decision to phase out regional assistance in much of the county. Unemployment in Whitehaven is 15.2 per cent—whereas the county as a whole is close to the national average and under the Government's criteria for support does not warrant assisted status even though there are pockets of much higher unemployment in Cleator Moor and Millom.

The county council says £22.5m of regional development grant went to Cumbria last year, but the bulk was directed to development at British Nuclear Fuels' Sellafield site.

In reality, regional assistance has not attracted in the past few years a great deal of industry though the county believes it has been a crucial feature in persuading existing companies to stay and expand. Two companies that have grown recently in this way include Ashley Accessories which makes electrical fittings and the chemicals and detergents company, Albright and Wilson.

"What you need to attract new industry is consistency," says Mr John Lodge, county planning officer for Northumberland. He might argue that this consistency has taken a knock with the downgrading of Morpeth and Ashington to intermediate status.

The area's unemployment rate of 15.9 per cent is not one of the highest in the North East. The argument of local planners, however, revolves around the value or otherwise of regional aid as a tool for restructuring an economy still overly dependent on older industries like coal mining.

Morpeth and Ashington, with a population of about 100,000 in the travel-to-work zone, includes Bedlington and Blyth, the latter port showing some considerable resurgence prior to the coal strike.

The council argues that the local economy has been restructuring but is only part way through this and that the area still endures deep-seated problems. In the past few years regional assistance has attracted a number of companies largely pharmaceutical related, including Glaxo, Boots and Searle. These are in addition to the few plants that arrived in the 1980s on the back of regional assistance, including the Alcan smelter at Lynemouth.

Others would argue that areas like this in the North East would be just as well served by trying to tackle head-on their inherent local weaknesses in entrepreneurship and the small business ethic.

The formation last year of Sonet, a job creation and small company support agency, financially backed by the local authorities and covering the area which includes Ashington, is a sign that Northumberland is trying to address itself to that problem.

## Anger over cutbacks in economic incentives

"THE NEW policy marks the end of effective regional policy in Britain. In formulating it, the Government has ignored the views of local authorities, both sides of industry and academics, all urging that regional policy should not be weakened."

—Coun. E. J. Davies, chairman of Mid-Glamorgan's economic development and employment committee.

Wales is generally less than pleased, to say the least, with the changes which the Government has introduced in regional development policy and none more so than Coun. Davies. In a public letter to Mr Nicholas Edwards, the Welsh Secretary of State, Coun. Davies expressed near outrage at what for Wales has been a serious cutback in its economic regeneration incentives at a time of exceptionally high unemployment.

The level of joblessness in Wales is 17 per cent. In parts of the county of Mid-Glamorgan, the male rate of unemployment is now as high as 40 per cent.

Condemnation of the changes has been fairly universal. The CBI in Wales described them as a "disaster" while the Wales TUC called the changes "economic madness."

In the wake of the Government's original White Paper, the Commons Welsh Affairs Select Committee last year undertook a major inquiry into the workings and value of regional policy and put forward a number of recommended changes, including the extension of aid to service industries.

But its prime plea was for the whole of Wales to be designated as a development area.

### Wales

ROBIN REEVES

nated as some kind of assisted area — not least in order to ensure all-Wales access to EEC funds — and for no overall diminution in the amount of regional industrial aid being channelled to Wales. Savings from cutbacks in automatic grants, it said, should be compensated for by more generous selective financial assistance and more resources for the Welsh Development Agency, Mid-Wales Development and local enterprise agencies, as well as an extension of the existing assisted area coverage.

### Stripped

In the event, three areas of Wales have been stripped of their assisted area status altogether. They are the Conwy and Denbigh, travel-to-work areas which account for the major part of rural Clwyd in North Wales, and the Monmouth travel-to-work area in south-east Wales.

With the exception of Carmarthen, they become the only parts of Wales which are regarded in regional aid terms as being on a par with the most prosperous parts of England. This is because the other non-designated areas of Wales fall within the operating boundaries of Mid-Wales Development, which has been granted special access to EEC funds on the grounds that its presence and UK Government funding signifies assisted area status, it is in different form.

Clwyd is deeply upset over the decision, not least because it recently applied to the EEC for the whole of the county to be designated as an integrated operations area, a community scheme for better co-ordination of financial assistance packages. The county has made strong representations to the Secretary of State to correct what it views as an anomaly. It suggested operations could be done by either re-establishing rural Clwyd as an intermediate area — the preferred solution — or strengthening of Clwyd, a local rural enterprise trust, or extending the boundaries of Mid-Wales Development or granting additional powers to the WDA in rural areas, akin to those of the Development Commission in England.

Monmouth, meanwhile, is in the unhappy position of not only having lost its assisted area status but of seeing neighbouring travel-to-work areas, Cinderford and Roes on Wye in the Forest of Dean, just across the border, being upgraded from non-assisted to intermediate area.

### Scotland

MARK MEREDITH

WHEN YOU are at the bottom of the industrial heap your cries of help can justifiably be the loudest. Scotland—used to shouting the loudest—is having to moderate its tone somewhat on finding that other parts of Britain are worse off and there are some signs of improvement in the Scottish economy.

In the mid-1980s, Scotland had Britain's worst unemployment. Today, however, the north and north-west of England, the West Midlands and Wales are worse off.

So when it comes to regional assistance, Scotland is less able to make a special case for treatment. Her industrial troubles are still there, about 200,000 jobs or one third of its manufacturing was to close after 1975 adding to what has been a steady decline since the war.

Last year's changes in the Government's aid to the regions reflected the relative change in fortunes and the fact that other parts of the country have greater needs.

Scotland has accounted for one third of the savings—about

£90m in 1987-88. Scottish industry will receive about £100m compared to the current level of £190m.

The changes have been greeted with horror by the Labour Party which holds 41 of the 72 Scottish parliamentary seats. Even the Scottish branch of the Confederation of British Industry charged that the cuts cast a long shadow over industrial regeneration.

The prime fear of the opponents to the cuts is that the momentum of growth in new industry based on attracting foreign companies to set up plants in Scotland will be lost. Scotland now sets much store in the growth of high technology industry and in the jobs created by the development of North Sea oil.

However, for an area so long orientated towards manufacturing, the startling change has been in the growth of service sector employment which now amounts to over 60 per cent of the jobs in Scotland.

The readjustment of regional assistance has taken two forms: the redrawing of the map showing the areas of Britain qualifying for assistance and secondly a change in the structure and form of the aid.

On balance it appears that the

impact of the geographical changes will be outweighed by the structural alterations in the amounts and the applications of Government assistance.

One positive change has been the transfer of the administration of regional development grants from the Department of Trade and Industry to the Scottish Office. This is likely to reduce complaints of delays in the handing of grant applications which had to go through a London clearing house.

It will also consolidate Scotland's one-door approach to inward investment leaving the administration of the bulk of assistance available to industry handled in Scotland.

### Highlands

In terms of the geographical changes 65 per cent of the Scottish working population of around three million still remain in areas with development area status. This is about double the proportion for Great Britain as a whole, according to government calculations.

Large parts of the Highlands have lost their eligibility for automatic regional grants including the Lochaber area around Fort William, Badenoch, south-west of Inverness, Invergordon (which now has an

enterprise zone near the closed British Aluminium smelter), Sutherland and Wick in the far north.

Industrial planners in the Highlands, however, have expressed less anxiety than might be expected. The range of powers of the Highlands and Islands Development Board will still cover most of the likely applications for assistance from industry in this sprawling region with its 500,000 population.

The Government plans to increase the current annual grant-in-aid of £34.5m to the Highlands and Islands Board ahead of the rate of inflation, according to George Younger, the Secretary of State for Scotland. By special arrangement the European Commission will also leave large areas of the Highlands eligible for EEC assistance.

Further to the south in Fife the Kirkcaldy area has lost its automatic grant status and for the first time one of the five Scottish new towns—Glenrothes—has lost its automatic grant status while its four rivals have kept theirs. Glenrothes has attracted a significant amount of inward investment by U.S. electronics companies but it has still not achieved the amount of inward investment logged by

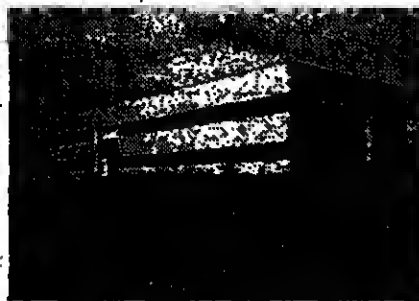
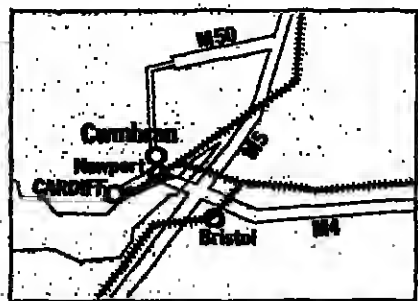
Livingston new town near Edinburgh which has kept its automatic grant status.

The Bathgate area near Livingston, often seen at a disadvantage because of its position outside the area, is to get special attention and is included in the top of the two-tier aid qualification bracket. The Bathgate area has been hit by some big industrial closures and job losses including the plans by British Leyland to shut down its truck plant with the loss of the remaining 1,800 jobs.

The area is to get an additional £5m in special assistance to aid recovery. The Government has taken a calculated risk in cutting the highest level of automatic grant from 25 per cent of capital costs to 15 per cent. Arguably the electronics industry is now taking off and needs continued encouragement to carry on.

But there is a confidence in this return sector now which employs over 40,000 people in 300 companies, the sector has now expanded to the point where companies move in here less for the grants but more because of the accumulation of other electronics companies and the support infrastructure which has grown up to service the industry.

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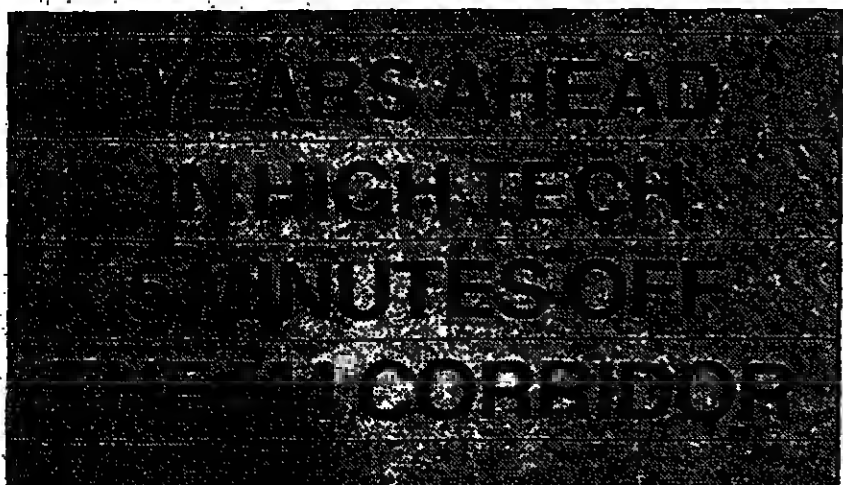
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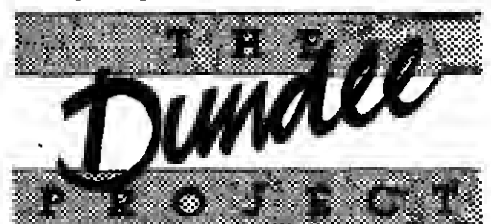
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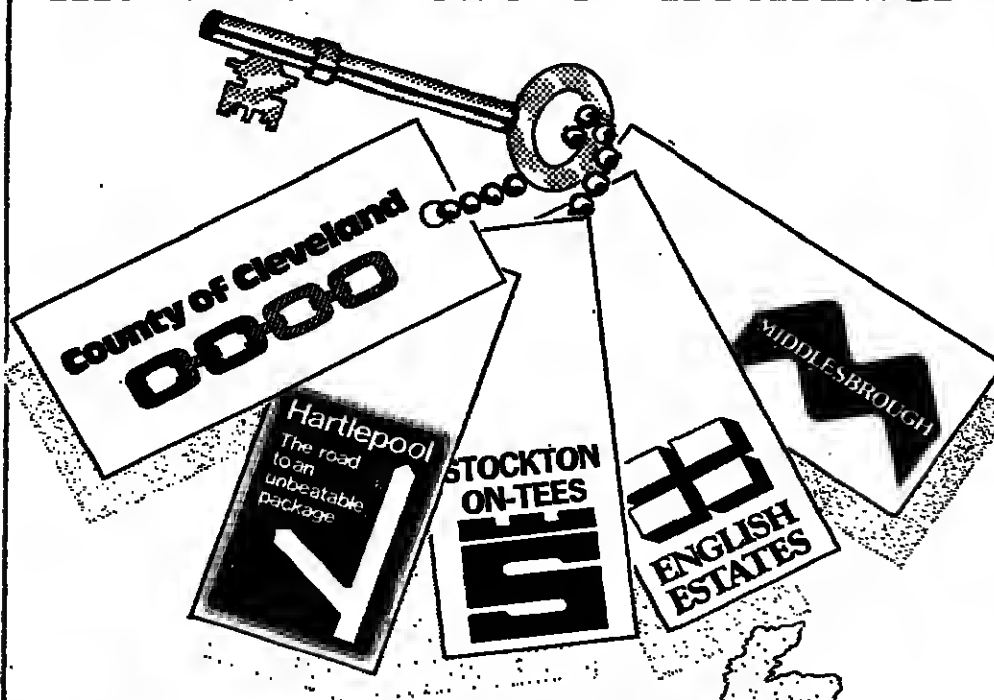
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## Regional Development 8

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Diary Note: SOJULINE to 3 JULY 1985  
**The North East Business & Industry Exhibition & Conference**

# £5.5bn paid out in last 12 years

## Financial assistance

ANTHONY MORETON

IN THE 12 years since the UK's Industry Act was introduced in 1972, the Government had paid out £5.5bn in all regional assistance to March 31 1984, the last date for which figures are available.

The vast bulk of this - £4.4bn - went towards automatic regional development grants, assistance either for new plant or for equipment and machinery.

Selective assistance has played a much less important role, with Section 7 assistance, which is in effect top-up assistance within the assisted areas, amounting to just £593m.

Within the last few years, there has been a marked curtailing of the amount spent on the automatic grants while selective aid has tended to assume rather more importance. This follows the decision of the Conservatives in 1979 only to aid those projects which would not have gone ahead if Government money had not been forthcoming.

The hey-day of regional policy was in the mid- to late 70s under the patronage of the Labour government. The Conservative Government of Mrs Margaret Thatcher has not been nearly so committed to regional policy as its predecessor and is, in any case, anxious to reduce the total outlays on regional spending.

## Inflation

This is not at first apparent from table 1, which shows regional industrial assistance at outturn prices between 1977-78 and 1983-84.

The figures are, however, bloated by spending on land and factories and if these are excluded, as in table 2, a clearer picture of recent trends emerges. This shows that regional spending in 1984 was not very different from that in 1979. If account is taken of the rate of inflation in the intervening years then there has been a

considerable reduction in real terms.

In reality, the picture of regional development grants is more accurately shown by table three. A four-month deferment of payment of grants towards approved applications between June 12, 1979 and November 9 1982 - part of the Government's attempts to hold back spending - effectively deflated the figure by about £10m and raised the 1982-83 figure by up to £150m.

## Impact

Table 3 takes this deferment into account and therefore paints a more accurate picture of allocation of resources. The full effect of the cut in Government spending can be seen from the 1983-84 figure, a trend which will continue in the present year as further stringencies take effect.

Divided by area, table 4, the North East of England, has just edged Scotland out as the part of the country to receive most grants over the 12 years. The most North has received £1.24bn in automatic grants in the period compared with £1.27bn for Scotland.

The next most heavily assisted area, Wales, received £789m by comparison with the North West following it closely.

The lead gained by the North East reflects the heavy concentration of chemicals and petrochemicals works on Tees-side which have sucked in enormous amounts of investment for relatively little return in terms of job creation. It is this ability of the chemicals industries to absorb grants that has led to much rethinking on the role of regional finance.

Broken down by qualifying activity, table 5, the chemicals and allied industries have received almost a quarter of the total outlay - £1.03bn. This is not far short of double the £532m that has gone towards the metal-bashing industries. Only two other sectors - food, drink and tobacco; and coal and petroleum products - have come anywhere near metal manufacturing, though other groups which have benefited strongly include mechanical engineering, electrical engineering, the motor industry and paper, printing and publishing.

Assistance on factory buildings comes among other sources, starting at Tees Valley Estate, Gateshead.

An indispensable pair of books is available from the Centre for Public Policy at the University of Strathclyde in Glasgow. Industrial Aids in the UK is a description of every conceivable aid known to man and probably a few more besides, while European Regional Incentives goes into great detail about what is available in the Ten, together with Portugal, Spain and Sweden.

The great scope of the books can be seen from the fact that the shorter of the two extends to 580 pages. The British book takes each individual scheme and details the awarding body, any location, industry or size restrictions, application deadlines, other restrictions on eligibility, eligible expenditure, rate of award, payment procedure, application procedure and for those who still have questions "points to note."

By ANTHONY MORETON

ANY BUSINESSMAN seeking guidance on what he might receive in UK Government assistance from moving to one area rather than another, or from installing new plant and equipment, has a virtual library of books at his disposal. There are also a large number of sources of information, of which the most important is the Government itself.

Regional policy and its implementation is the responsibility of the Department of Trade and Industry, though in Scotland, Wales and Northern Ireland it is delegated to the respective secretaries of state for those countries.

Initial inquiries should be made to the Department of Trade at 1 Victoria Street, London SW1. The DTI has a series of regional offices, the most important of which are in Newcastle, Manchester, Liverpool, Birmingham, Nottingham and Bristol. Addresses of each can be found in the phone book or from London.

In Wales, policy and grant matters are handled by the Welsh Office in Cardiff, assisted by the Welsh Development Agency, also in the city.

## Scottish Office

For Scotland, inquiries should be made through the Industry Department of the Scottish Office in Glasgow, though the Scottish Office itself is in Edinburgh. It is assisted by the Scottish Development Agency in Glasgow.

The Northern Ireland Department of Economic Development is in Belfast, as is the Northern Ireland Industrial Development Board.

For help with projects in non-industrial areas the Development Commission at 11 Cowley Street, London, SW1, should be the first stop or, alternatively, its associate the Council for Small Industries in Rural Areas, which has an advisory service in Salisbury.

## Handbook

The Business Location Handbook (from Beacon Publishing (Jubilee House, Weston Favell, Northampton), calls itself the "complete guide to the selection of industrial and com-

## UK regional industrial assistance

Table 1: Out-turn prices in £m

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84*
Regional development grants	393	417	331	491	617	694	440
Regional selective assistance	44	104	78	74	76	88	88
Land and factories	52	85	110	141	161	137	162
Totals	52	85	519	706	854	917	643

Table 2: How the figures look when the spending on land and factories is excluded

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84*
Regional development grants	393	417	331	491	617	694	440
Regional selective assistance	44	104	78	74	76	88	88
Totals	437	521	409	565	693	782	528

Table 3: Takes into account a four-month deferment of payment of grants towards approved applications between June, 1979, and November, 1982, and therefore gives a more accurate picture of allocation of resources

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84*
Regional development grants	393	417	441	491	617	580	440
Regional selective assistance	44	104	78	74	76	88	88
Totals	437	521	519	565	693	639	528

Table 4: Shows figures for the last 12 years to March 31, 1984, in £m

	Regional Development Grants	Section 7 Loans/Equity	Industry Schemes Grants	General Schemes Loans/Equity	Totals Grants	Totals Loans/Equity
Scotland	1,272.0	133.7	41.9	26.7	1,474.3	41.9
Wales	789.7	65.8	21.4	5.8	881.7	21.4
North Eastern	1,240.9	93.8	18.2	12.7	1,365.6	18.7
Yorkshire and Humberside	276.4	57.7	9.3	50.7	394.1	6.3
East Midlands	48.7	19.1	1.0	37.3	106.1	1.0
South Eastern	nil	nil	nil	58.7	58.7	0.4
South West	73.1	14.5	5.0	20.8	113.4	5.0
West Midlands	2.7	0.1	0.1	41.5	44.3	0.25
North West	762.0	138.6	26.7	43.6	970.9	26.7
Northern Ireland	nil	nil	1.5	1.5	3.0	1.5
Other	nil	75.0	nil	6.5	81.5	4.0
Total	4,437.5	593.2	nil	206.1	5,236.8	128.55

Source: Government statistics

## Payments by groups of activities

Standard Industrial Classification Orders	Plant and machinery	Buildings and works Grant paid	Total	Plant and machinery	Buildings and works Grant paid	Total
Mining and quarrying	705	117	822	104,547	5,921	110,468
Food, drink and tobacco	37,343	6,227	43,570	285,882	141,682	427,564
Chemicals and allied industries	105,536	17,598	123,134	856,492	177,490	1,033,982
Metal manufacture	35,329	5,891	41,220	489,516	161,725	651,241
Mechanical engineering	18,096	3,616	21,712	171,689	87,547	259,236
Instrument engineering	4,767	795	5,562	27,534	8,551	36,085
Electrical engineering	37,066	4,504	41,570	145,891	54,358	200,249
Shipbuilding and marine engineering	886	6,270	7,156	38,755	31,539	70,294
Vehicles	15,353	2,560	17,913	153,765	47,170	200,935
Metal goods not elsewhere specified	7,738	1,298	9,036	72,714	35,273	107,987
Textiles	6,334	1,056	7,390	77,528	38,451	115,979
Leather, leather goods and furs	417	69	486	3,933	2,547	6,480
Clothing and footwear	3,517	587	4,104	25,996	13,180	39,176
Bricks, pottery, glass, cement etc	12,392	2,066	14,458	136,253	44,844	181,097
Timber, furniture etc	6,651	1,169	7,820	43,144	32,266	75,410
Paper, printing and publishing	19,596	3,288	22,884	144,850	53,435	198,285
Other manufacturing industries	10,328	1,723	12,051	74,937	38,647	113,584
Construction	nil	nil	nil	162,732	7,213	169,945
Other	2,797	466	3,263	29,362	14,977	44,339
Total	376,194	62,729	438,923	3,576,142	1,061,406	4,637,548

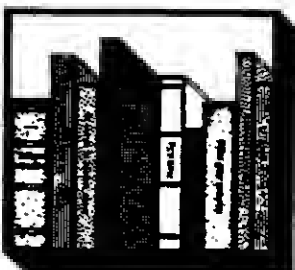
## Regional analysis of grants

Table 4 shows figures for the last 12 years to March 31, 1984, in £m

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North Eastern	1,240.9	93.8	18.2	12.7	1,365.6	18.7
Yorkshire and Humberside	276.4	57.7	9.3	50.7	394.1	6.3
East Midlands	48.7	19.1	1.0	37.3	106.1	1.0
South Eastern	nil	nil	nil	58.7	58.7	0.4
South West	73.1	14.5	5.0	20.8	113.4	5.0
West Midlands	2.7	0.1	0.1	41.5	44.3	0.25
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Other	nil	75.0	nil	6.5	81.5	4.0
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Source: Government statistics

# Where to obtain further information



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Regional policy and its implementation is the responsibility of the Department of Trade and Industry, though in Scotland, Wales and Northern Ireland it is delegated to the respective secretaries of state for those countries.

Initial inquiries should be made to the Department of Trade at 1 Victoria Street, London SW1. The DTI has a series of regional offices, the most important of which are in Newcastle, Manchester, Liverpool, Birmingham, Nottingham and Bristol. Addresses of each can be found in the phone book or from London.

In Wales, policy and grant matters are handled by the Welsh Office in Cardiff, assisted by the Welsh Development Agency, also in the city.

## Scottish Office

For Scotland, inquiries should be made through the Industry Department of the Scottish Office in Glasgow, though the Scottish Office itself is in Edinburgh. It is assisted by the Scottish Development Agency in Glasgow.

The Northern Ireland Department of Economic Development is in Belfast, as is the Northern Ireland Industrial Development Board.

For help with projects in non-industrial areas the Development Commission at 11 Cowley Street, London, SW1, should be the first stop or, alternatively, its associate the Council for Small Industries in Rural Areas, which has an advisory service in Salisbury.

## Handbook

The Business Location Handbook (from Beacon Publishing (Jubilee House, Weston Favell, Northampton), calls itself the "complete guide to the selection of industrial and com-

mercial property throughout the UK."

This handbook is particularly strong on local government, detailing the name, address, phone number and other information, such as the name of the industrial development officer of every council in the country.

Specialist economies, such as the Isle of Man, Guernsey, and Jersey, are covered by their respective governments and there are a number of regional organisations within the UK which produce detailed guides to their areas. One such is the North-West England Directory of Industry and Commerce from the North-West Industrial Development Bureau at either County Hall, Exeter, or County Hall, Truro, provides advice on the two most westerly English counties.

For the north-eastern side of Britain, help can be expected from the North of England Development Council at Bank House, Carlisle Square, Newcastle upon Tyne, while at the other end of the country the Devon and Cornwall Development Bureau at either County Hall, Exeter, or County Hall, Truro, provides advice on the two most westerly English counties.

By Tony Hazell

ESTATES TIMES 25.11.84

Hampshire's position to the south west of London makes it an ideal place to attract relocating industries and to cash in on the high-tech explosion in the South East.

We couldn't have said it better ourselves, but this leading property weekly said more, so read on...

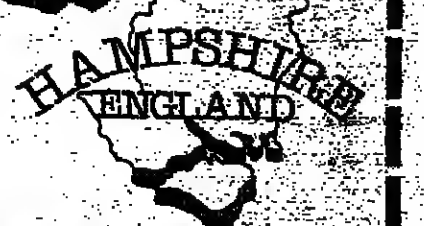
# "Hampshire's time has come"

all the indications are that Hampshire's time has come. The M3 is reaching further into the county with only the Winchester section awaiting completion. The gap in the M27 has been filled giving good communications from Portsmouth to Southampton.

Other plus points identified by the Estates Times are "the advantage of LOWER RENTS" and Hampshire's "EXCELLENT TURNOUT OF ELECTRONICS COMPANIES".

In Hampshire and the Isle of Wight there's a welcome for all businesses wanting an even more successful future. If the time has come for a new location, contact the Hampshire Development Association, 13 Clifton Road, Winchester SO2 2BS or phone (0962) 65060 (overseas +44 962 65060).

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Position \_\_\_\_\_  
Address \_\_\_\_\_  
Tel. No. \_\_\_\_\_



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# Incentives - a really great start

Cash grants, cheap loans, rent free periods in modern advance factories and training assistance can make a really great start to a new business venture. Mid Glamorgan has the highest level of government incentives on the UK mainland available for qualifying businesses. For further details return this coupon to the Industrial Development Unit, Mid Glamorgan County Council, Greyfriars Road, Cardiff CF1 3LG or phone 0222-280333 extension 143 and ask about a really great start with our incentives.

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Company \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone \_\_\_\_\_  
Type of business \_\_\_\_\_

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10/11/84